

International Accounting Standards Committee Foundation

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Report of the Chairman of the Trustees



Paul A Volcker Chairman of the Trustees

“ The productivity of the IASB, the improving prospects for convergence, and the broad agreement on the desirability of common standards around the world provide ample grounds for optimism.”

Three years ago, the new International Accounting Standards Committee (IASC) Foundation and its standard-setting body, the International Accounting Standards Board (IASB), began their work. Since then substantial progress has been made in developing a single set of accounting standards that would command the respect of capital markets worldwide. Recent events have only underscored the importance of the IASB's mission. At the same time, the challenges, both intellectual and practical, that face the organisation are clear.

Completing the 2005 standards

Much attention during the last year has focused on the IASB's preparations for the January 2005 adoption of International Financial Reporting Standards (IFRSs) by the soon-to-be 25 countries of the European Union. By the beginning of 2005, nearly 100 countries in six continents will be using IFRSs directly or are aligning national standards with IFRSs. At the same time, much groundwork has been laid for the eventual convergence of US and international financial reporting standards.

From a practical standpoint, the 2005 transition in Europe and elsewhere has meant that the IASB needed to have a broad set of standards of sufficiently high quality in place by the end of March 2004. Meanwhile, the IASB and the US national standard-setter, the Financial Accounting Standards Board (FASB), have agreed on an ambitious programme aimed at convergence of US generally accepted accounting principles (US GAAP) and IFRSs. Already, several changes to US GAAP have been proposed to bring US standards into line with international practice, and the IASB has recommended revisions to IFRSs in the other direction as well.

Within three years of its inception, the IASB will have completed five entirely new standards and revised 15 existing standards inherited from its predecessor organisation. (These inherited standards still carry the original designation of IASs, rather than the IFRS nomenclature introduced for new standards set by the IASB.) The revisions include the two important standards on financial instruments—IASs 32 and 39. Taken in its entirety, this work provides a workable platform for advancing common international standards. The productivity of the IASB, the improving prospects for convergence, and the broad agreement on the desirability of common standards around the world provide ample grounds for optimism.

The challenges ahead

The Trustees have considered how the organisation might respond to the need for consistent implementation of IFRSs around the world, if efforts to improve comparability of financial information are to bear fruit. The need for a broad educational effort aimed at consistent implementation of IFRSs is particularly evident in those countries with little history of standard-setting. The IASC Foundation has now approved the creation of an education programme, aimed at improving understanding of IASB pronouncements, and it has appointed a Director of Education to manage our efforts.



Standards and Exposure Drafts published in 2003

“...an intensive review of the Constitution which sets out the operating procedures of the IASC Foundation and the IASB... in making any changes, our objective must be strong, technically sound standards, capable of providing an acceptable accounting platform throughout the world.”

“...in three years, the IASC Foundation and IASB have made much progress towards achieving the objective of creating a high quality set of accounting standards that can be used worldwide.”

Controversy centred in Europe about IASs 32 and 39, the two existing standards dealing with financial instruments, has served notice of the technical accounting, practical and political challenges inherent in the IASB's work. The difficulty arises partly as a result of the enormous complexity of modern financial markets and 'financial engineering,' reflected particularly in the rapidly spreading use of derivative instruments. In many jurisdictions, balance sheets and income statements have not typically recorded the economic impact, risk, and shifting value of these instruments. The controversy is also partially a result of long-standing differences in perspective between securities regulators and standard-setters on one side and banking supervisors and regulated financial institutions on the other side.

The IASB has devoted a great deal of time and resources over the past year to its efforts to deal with these complexities and to bridge differences in perspective. Those efforts to build a common understanding have reached well beyond routine 'due process' and have involved the IASB holding public round-tables with interested parties and several rounds of intensive discussions with supervisors, and industry and accounting experts. Throughout this process, the IASB has worked with banking supervisors to ensure the reliability of the accounting information provided and to ease some of the administrative burdens involved in providing adequate disclosure of changing valuations.

Broader and more difficult issues related to 'fair value' that IASs 32 and 39 touch upon will take time to resolve. The Trustees are satisfied that the IASB has not reached any conclusions regarding the appropriateness and extent of fair value accounting generally. More specifically, the IASB itself has the view that the question of extending fair value further to regulated financial institutions, including banking and insurance companies, will not come to the Board for final decision for some years. The need to engage the many interested parties, official and private, in an intense discussion on broader questions related to 'fair value' accounting and other issues coming before the IASB is clearly recognised, and appropriate institutional approaches are being developed.

Ultimately, however, the responsibility for determining appropriate standards lies with the IASB. The Trustees of the IASC Foundation are determined to protect the professional integrity of the process, to assure appropriate due process, including consultations in reaching decisions, and to insist upon a truly international perspective.

Strengthening the standard-setting process

The basic structure established in 2000—the Trustees as the body providing oversight and the IASB as an independent standard-setting body—has been critical in gaining the confidence of the rising number of countries that are committed to International Financial Reporting Standards or the convergence process. As required, the Trustees have now initiated an intensive review of the Constitution which sets out the operating procedures of the IASC Foundation and the IASB.

To lead the review on behalf of the IASC Foundation, a Constitution Committee of seven Trustees, representing broad geographical and professional interests, has been constituted under my chairmanship. In launching this review, the Trustees have emphasised that they are willing to examine any aspect of the Constitution. To ensure that we have the benefit of the advice and experience of those affected by accounting standards, there will be consultations with a wide range of organisations.

As the first formal step of the review, we invited public comment on aspects of the Constitution that the Constitution Committee should examine. The Committee will continue its public consultations in the coming months, and particularly looks forward to the active involvement

of the organisation's Standards Advisory Council (SAC). In making any changes, our objective must be strong and technically sound standards, capable of providing an acceptable accounting platform throughout the world.

Approaching our financial goals

One of the chief responsibilities of the Trustees is to secure the funding that enables the IASC Foundation to attract qualified IASB members and technical staff and to undertake the extensive travel and outreach activities associated with the IASB's consultative requirements. The IASC Foundation's expenditures amounted to £12.8 million in 2003, up by 6.6 per cent from £12.0 million in 2002. The increase is largely explained by the need for more staffing in the run-up to 2005, for increased travel for additional consultations, and for the holding of public round-tables for IASs 32 and 39.

Sales of the IASB's official documents offset only a limited portion of the total cost of standard-setting. Consequently, the IASC Foundation is dependent upon the contributions from public and private sources. Occasionally, this partial dependence on voluntary contributions has raised two concerns by a few observers. One is a possible lack of objectivity because of the temptation to provide special consideration in the standard-setting process to important financial supporters. Conversely, there have been suggestions that supporters, dissatisfied with the outcome of a rigorous standard-setting process, might withdraw funding and disrupt the IASB's work.

Up to this point, neither of those concerns has materialised in practice. They are, in fact, ameliorated by our success in securing a diverse group of contributors, including leading accounting firms, industrial corporations, financial institutions, central banks, and other international and governmental organisations. In addition to \$1 million per year contributed by each of the major accounting firms, the large majority of these contributors provided a five-year pledge beginning in 2001, with a smaller number giving 'underwriter' pledges of between \$100,000 and \$200,000 annually for each of those five years. In 2003, 182 organisations and companies provided £9.7 million (\$15.8 million). The Trustees have been successful in maintaining the donor base and, after considering their budgetary needs, were able to reduce the commitments of the 'underwriter' group by 15 per cent for 2003.

Additionally, to protect the independence of the standard-setting process, the Trustees have sought to build up a reserve fund of approximately one year's budget. At year-end 2003, this fund had increased to £11 million from £9.3 million the year earlier. The Trustees have invested these funds conservatively in either interest-bearing accounts or a series of sterling-denominated notes of highly rated international organisations or the UK government with staggered maturities.

Although the IASC Foundation has achieved its short-term financial aims, the Trustees face several challenges in the coming years. Most significantly, for 2003 and 2004, the Trustees raised the great majority of the funding commitments in US dollars, even though nearly all of the organisation's expenses are in sterling. The depreciation of the US dollar, combined with the loss of Arthur Andersen's annual commitment of \$1 million, will require further effort in fundraising in years ahead.

Recognising the potential exchange rate risk, the Trustees instituted in 2002 a hedging policy to fix the sterling amount received from US dollar contributions through a series of forward and option contracts directly tied to the amounts of existing pledges. By establishing an effective exchange rate of \$1.42/£1 in 2003, these contracts reduced the effect of the depreciating US dollar on our contributions by £1 million. The IASC Foundation's forward contracts for 2004 and 2005 are on terms that are less favourable, raising the possibility of a sterling revenue

shortfall in 2004 and 2005. The Trustees are therefore continuing their efforts to expand funding sources and are not able to reduce calls on underwriting commitments in 2004. More significantly, the funding commitments expire after the 2005 calendar year. As part of the Constitutional Review and in response to concerns that have been expressed about current arrangements, we are investigating longer-term funding options beyond the existing commitments. One conceptual possibility is establishing a mechanism, similar to the one in place for the FASB in the United States, that mandates an assessment for companies listed on exchanges. However, the possibility of achieving agreement on such an approach internationally is far from clear.

Positioned for an unprecedented opportunity

During the past year, as part of my duties as Chairman, I have had the opportunity to attend meetings with IASB members and staff, the Standards Advisory Council, and companies and other interested parties and various regulatory authorities. It is clear that the organisation depends upon the close cooperation as well as the hard work of the Trustees, IASB members and staff, and the many volunteers who provide both their time and their expertise on accounting issues.

In 2003, two of our Trustees, Sir Andrew Crockett and Didier Pineau-Valencienne, retired from their position at the IASC Foundation. Both were instrumental in the initial set-up of the IASC Foundation and securing the necessary finances. I am delighted that Malcolm Knight, Andrew's successor at the Bank for International Settlements, joined us during the middle of 2003 and will sustain the organisation's important link to the banking supervisory community. We have also appointed Bertrand Collomb, Chairman of Lafarge, to fill Didier's position, and I am sure that we shall benefit greatly from Bertrand's vast business experience.

In September, we announced that Harry Schmid would be retiring from the IASB in March 2004. Harry has been a dedicated advocate of international accounting standards, a key contributor to the work of the IASB, and an important bridge to the corporate community in both Latin America and Europe particularly as it prepares for the transition to IFRSs in 2005.

In sum, in three years, the IASC Foundation and IASB have made much progress towards achieving the objective of creating a high quality set of accounting standards that can be used worldwide. As demonstrated by the controversy over IASs 32 and 39, reaching that goal will not be without its challenges. The complexity of today's marketplace requires the IASB and others concerned with standard-setting to be willing to tackle difficult conceptual and practical problems in a cooperative spirit, looking beyond parochial national and regional interests. The stakes are large—enhancing and maintaining confidence in a global market system of finance and investment, that serves the interests of all nations and all regions in fair and efficient markets.



Paul A Volcker

Chairman of the Trustees

Report of the Chairman of the IASB



Sir David Tweedie Chairman of the IASB

“ We are now nearing the completion of the two major tasks that have preoccupied the Board in its first three years – building the 2005 ‘stable platform’ and setting a strong framework for the convergence of international and national accounting standards.”

Introduction

1 The past year, 2003, has been a turning point in the Board’s quest to produce a single set of high quality global standards. We are now nearing the completion of the two major tasks that have preoccupied the Board in its first three years—building the 2005 ‘stable platform’ and setting a strong framework for the convergence of international and national accounting standards.

2 This introduction gives an overview of what has been accomplished. The report describes the building of the stable platform and then looks ahead to the projects for beyond 2005.

The stable platform

3 Among the immediate tasks that faced the Board when it was created in 2001 was the shaping of its initial work programme. From the start the Board’s mind was concentrated by the practical implications of the European Commission’s proposal that from 1 January 2005 all listed companies in the European Union should adopt the existing body of 34 International Accounting Standards. This proposal gave momentum to our efforts and it was quickly followed by similar statements, first by Australia and then by other countries. As time passed it emerged that from 1 January 2005 more than ninety countries will either require or permit the use of International Financial Reporting Standards.

4 It was clear that these countries would require time to allow companies to prepare for the switch from national to international standards and accordingly the Board decided that only those standards issued by March 2004 should apply in 2005. Any standards issued after that date would only be required to be applied in 2006 or later. In this way the Board would provide companies with a stable platform for the changeover, followed by at least a 21-month ‘period of calm’.

5 One effect of the promise of imminent widespread adoption of international standards was to prompt the Board to examine as a matter of urgency the standards that it had inherited from its predecessor, the International Accounting Standards Committee (IASC). The Board wished to ensure that countries adopting international standards had a stable accounting regime that would win the confidence of market participants.

6 In 1995 IASC made an agreement with the International Organization of Securities Commissions (IOSCO) that, broadly speaking, if IASC could produce a set of thirty core standards of high quality dealing with the subjects of most concern to the securities commissions, then IOSCO would recommend that stock exchanges worldwide should accept the financial statements of any company using those standards without the need for a reconciliation to local standards. If this goal was achieved it would have given IASC the status, unparalleled by any other standard-setter, of having its standards used as a substitute for local GAAP worldwide. IASC made a stout attempt to meet this challenge and by 1999 had completed its core set of standards, including the controversial standards IAS 32 and IAS 39 dealing with financial instruments. IOSCO then commented on the standards and criticised some fourteen of them. Its reservations were shared by the accounting profession, national standard-setters and other interested parties.

7 In the face of this concern about some of the standards, the Board soon came to the view that its prime objective of establishing a single



The IASB in session with the 50-member Standards Advisory Council (SAC). The SAC met three times in 2003.

set of high quality acceptable and enforceable global standards would be impossible to achieve without revising the standards criticised by IOSCO. The question then was whether the Board should deal with those standards progressively over a period of years or review them as a large single package. To avoid the prospect of companies having to change their accounting twice, first on applying international standards in 2005 and then as the standards were amended shortly afterwards, the Board decided to complete the Improvements project to change those fourteen standards as quickly as possible. That huge task was completed in December 2003 with the sole exception of the question of macro hedging and related issues in IAS 39, which will be dealt with in a supplementary amendment to be issued by 31 March 2004.

8 In drawing up its initial work programme the Board, having consulted its constituents, decided that, in addition to the project to improve existing standards, and to provide guidance regarding first-time application, it should give priority to four projects on which it believed that new standards were urgently needed—the first two because no guidance existed, the second two for the purposes of convergence:

- share-based payment
- insurance contracts
- business combinations
- discontinued activities.

The standards resulting from those projects will be issued in the first quarter of 2004, bringing to completion the stable platform of standards for 2005.

Convergence

9 Given its mission to create a single set of accepted high quality global standards an option open to the Board was to select the best of the national standards and make that the 'gold' global standard. To a large extent standards throughout the world have been modelled either on the international standards or those issued by the US national standard-setter, the Financial Accounting Standards Board (FASB). Therefore, if a single set of standards was to be achieved in a

reasonable time span, it was essential to find a way of eliminating or at least reducing the differences between US standards and other requirements (together known as US GAAP) and international standards. The historic agreement in October 2002 between the two boards committing themselves to convergence of international and US standards was an important step towards that goal.

10 The main differences between international standards and US GAAP had been revealed by studying the reconciliation statements of those companies using international standards and listed on the US markets. It soon became apparent where the differences lay and the two boards are attacking them with a view to removing them as quickly as possible by selecting which of the standards—whether those of the Board or those of the FASB—offers a superior solution and asking the board with the weaker standard to adopt the stronger. In some cases, however, a superior solution will lie elsewhere and both boards, with the help of our partner national standard-setters, will then study the appropriate national standard.

Building the stable platform

Adoption of international standards

11 To pave the way for the extensive adoption of international standards expected in the coming years the Board issued in June a standard concerned solely with that matter. The standard, IFRS 1 *First-time Adoption of International Financial Reporting Standards*, was the first to have been developed by the Board and was the first to be published in the format of an International Financial Reporting Standard. IFRS 1 explains how an entity should make the transition to IFRSs from another basis of accounting. It is designed to ease the transition for all concerned and ensure that users of financial statements are given high quality information. This project showed that national bodies play an important part in the IASB's work: the French Conseil National de la Comptabilité (CNC) participated actively in the development of IFRS 1 and made a significant contribution.

Improvements to IASs

The general project

12 In December 2003, the Board issued thirteen revised IASs and gave notice of the withdrawal of one other. These revised standards marked the completion of the Board's general Improvements project. As explained in paragraph 7, the project was among the first to be undertaken when the IASB began operations, and it was established to address both the criticisms from IOSCO and the concerns and questions raised by professional accountants and other interested parties about the existing set of IASs. The objectives of the project were to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements. Improved versions of two further standards, dealing with the complex topic of financial instruments, were also issued in December (see paragraphs 14-18).

13 The Improvements project was a central element of the Board's strategy to raise the quality and consistency of financial reporting generally and of the body of existing IASs in particular. In the interests of better reporting through convergence the project drew on best practice from around the world. It removed a number of options contained in IASs, whose existence had caused uncertainty and reduced comparability. The project benefited from input received from a broad range of market participants, including regulators through IOSCO, national standard-setters, the Standards Advisory Council and other commentators.

IAS Improvements project

Revised Standards issued:

- IAS 1 *Presentation of Financial Statements*
- IAS 2 *Inventories*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10 *Events after the Balance Sheet Date*
- IAS 16 *Property, Plant and Equipment*
- IAS 17 *Leases*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- IAS 24 *Related Party Disclosures*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 31 *Interests in Joint Ventures*
- IAS 33 *Earnings per Share*
- IAS 40 *Investment Property*

Decision to withdraw IAS 15 *Information Reflecting the Effects of Changing Prices*

15 In March, in response to the comment letters, the Board extended the consultation to include issues not directly addressed in the exposure draft and it convened a series of round-table discussions. Such meetings are not generally part of the IASB's due process, but are held if public discussions with constituents seem likely to improve the standard. In this case, the Board's ultimate goal was to determine whether there are better alternatives to the principles that underlie IASs 32 and 39 or alternative applications of those principles. The round-table participants included more than a hundred of those who had commented on the Exposure Draft and the format made possible a free and open exchange of views between the Board and its respondents and especially among respondents who might hold differing views.

16 After the round-table discussions the Board continued the process of public discussions by reviewing the round-table material with its Standards Advisory Council and with its partner national standard-setters.

17 In March the Board began its deliberations, in open meetings, of the issues raised on the exposure draft, keeping in view the insights obtained from the consultation process. At every meeting between March and October it discussed the issues raised by constituents: by then the Board had considered over sixty agenda papers dealing with issues raised on the exposure draft, amounting to over 1,200 pages.

18 There was one issue that emerged from the consultations for which the Board decided a further exposure draft was required—the use of fair value hedge accounting for a portfolio hedge of interest rate risk (sometimes referred to as 'macro hedging'). The Board published a further exposure draft on this one aspect of IAS 39 in August, with a comment deadline of 14 November. The Board received over 120 comment letters and by the end of the year was in the process of finalising its proposals. However, to help those companies preparing to adopt the revised IASs 32 and 39 in 2005, the Board decided not to delay the release of those improved Standards for this one issue to be resolved. Accordingly, the Board issued the revised standards, subject to any changes that it might make for macro hedging, in December. Any amendments to IAS 39 for macro hedging will be issued by the end of March 2004.

The new standards for 2005

Share-based payment

19 The first of the four priority projects for implementation in 2005 is on share-based payment, a topic not previously covered by international standards. The Board had published an exposure draft, ED 2 *Share-based Payment*, in November 2002, and invited comments by 7 March. The Board received over 240 comment letters. From April to December, the Board reconsidered its proposals, in the light of the comments received. Also, after the FASB added to its agenda in March 2003 a project to review US accounting requirements on share-based payment, the Board worked with the FASB, to achieve convergence of the two boards' respective standards, wherever possible. By the end of 2003 the Board was on course to issue its standard in February 2004, a standard that is very similar to proposals that the FASB intended to publish as an exposure draft a few weeks later. The two boards envisage that, once the responses to the US exposure draft have been received, they will debate the reactions with a view to removing any differences in approaches in 2005.

Insurance contracts

20 The second of the priority projects is concerned with insurance accounting. Like share-based payment, insurance accounting has not previously been addressed in international standards. The Board has a

Financial instruments

14 During 2003, the Board continued its work to complete the improvements to IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* in time for them to be used by those adopting IFRSs for the first time in 2005. It had issued an exposure draft of proposed amendments in 2002, on which it received over 170 comment letters.

major project to re-examine insurance accounting but will not finish this project for a few years. In the meantime there arose the question of what insurance companies should do in 2005 in the absence of an international standard. The Board has attempted to minimise the risk that systems changes implemented now might need to be reversed in the ultimate standard on insurance and, in the meantime, has made it possible for insurance companies, in essence, to carry on with most of their existing practices on insurance contracts while using international standards for all other accounting purposes. Certain practices that the Board believes obscure economic reality will be banned and the standard will introduce additional disclosure requirements.

21 A practical challenge facing insurance companies is that, generally speaking, many of their assets will be required to be marked to market values for the first time under IAS 39 while their liabilities may remain fixed. The Board faces a dilemma similar to that faced by the FASB a few years ago. To reduce the effect of different valuation policies, should the Board introduce immediate short-term palliatives that almost certainly would not form part of a new standard on insurance, thereby requiring companies to create additional systems or using techniques for only a brief period before the need for them is removed by the future standard? Or does it accept that there will be a short-term mismatch in the valuation of assets and liabilities? Like the FASB the Board has decided that, at least in the short term, companies could accept a mismatch and explain it. This is not an ideal situation, but at least it brings the advantage that insurance companies' assets will reflect more clearly the use to which they are put, even though the liabilities will remain as before pending further consideration when the new standard is developed. The Board has made proposals to minimise the effect of this mismatch (see paragraph 24).

22 The insurance project comprises two phases. The first phase was reflected in the exposure draft ED 5 *Insurance Contracts*, which the Board published in July. The purpose of the proposals is to introduce the first specific requirements in international standards for disclosures about insurance contracts and to ease some burdens for insurers adopting IFRSs for the first time in 2005. The intended issue of that IFRS by 31 March 2004 will mark the end of the first phase of this project.

23 The Board is acutely aware that there is an urgent need for a more comprehensive standard on insurance contracts and it intends to reactivate work on the second phase of this project as soon as the first phase IFRS is published.

24 I mentioned in paragraph 21 the possible mismatch between insurance companies' assets shown at fair values and their related liabilities, which were shown at either a fixed amount or discounted at a fixed interest rate. The Board has proposed three methods of minimising this discrepancy:

- 'Shadow accounting' enabling companies to treat the unrealised gains and losses of assets taken to equity to be treated as if they are realised and, accordingly, attributed to liabilities linked to those assets.
- The ability to adjust designated liabilities for interest rate changes similar to those on the matched assets
- clarification of the rules governing assets held to maturity.

The Board believes that it may be possible to deal with any additional issues by presentation.

Business combinations

25 The third of the priority projects is on business combinations, for which the principal purpose is convergence. The treatment of business combinations has been very different in international and US standards.

Historically, US practice differed from other national standards around the world in that a large proportion of business combinations in the United States were accounted for as mergers (ie unitings of interests) by applying the pooling of interests method. Elsewhere, significantly fewer combinations were understood to be accounted for as mergers. In 2001 the FASB issued Statements 141 *Business Combinations* and 142 *Goodwill and Other Intangible Assets*. As a result of the requirements in those standards, US companies are now prohibited from using the pooling of interests method and are also prohibited from amortising goodwill, which instead must be tested for impairment annually. International standards already tightly restricted the scope of business combinations that could be accounted for using the pooling of interests method, and, while allowing impairment of goodwill in certain cases, required goodwill to be amortised. In the interests of convergence, the Board reconsidered the accounting for business combinations and the subsequent accounting for goodwill and intangible assets acquired in business combinations. Like the project on insurance, the project on business combinations has two phases.

26 Phase I led to the publication in December 2002 of an exposure draft, ED 3 *Business Combinations*, of a standard to replace IAS 22 *Business Combinations* and an exposure draft of proposed changes to IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*. The comment period closed in April 2003 and 136 comment letters were received.

27 As part of the consultative process, we conducted field visits during the comment period to deepen our understanding of the practical implications of its proposals on the accounting for goodwill and intangible assets. The field visits involved Board members and staff in meetings with 41 companies in Australia, France, Germany, Japan, South Africa, Switzerland and the United Kingdom. Board members and staff also took part in a series of round-table discussions with auditors, preparers, accounting standard-setters and regulators in Canada and the United States on implementation issues encountered by North American companies during first-time application of the US standards SFAS 141 and SFAS 142 (and the equivalent Canadian Handbook Sections).

28 In June the Board began reviewing the outcome of its consultations and the letters received on the exposure drafts. As a result the Board agreed to make some significant changes to its proposals. The Board completed its redeliberation of phase I in November, and the phase I standards are scheduled for issue in March 2004. The major changes will be a ban on the use of the pooling of interests method and on the amortisation of goodwill in favour of an annual impairment test. At the same time, the FASB has tentatively decided to converge with the Board's forthcoming standards by prohibiting entities from

- recognising, as part of the accounting for a business combination, provisions for restructuring the acquired business.
- immediately writing off as an expense in-process research and development projects acquired in a business combination.

Progress on phase II is described in paragraphs 31-34.

Non-current assets and discontinued operations

29 The last of the four priority projects is part of the joint short-term convergence project with the FASB and led to the publication in July of an exposure draft ED 4 *Disposal of Non-current Assets and Presentation of Discontinued Operations*, proposing convergence with aspects of the US standard SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*.



Standards and Amendments completing the 2005 'stable platform'

“ The last two years have involved a major effort in revising existing standards—almost half of them will have been revised in time for 2005. However, although the ‘stable platform’ is a commitment by the IASB not to issue after March 2004 any new standards for application before 2006, the IASB cannot stand still: we must press ahead with the many unresolved accounting issues before us.”

Beyond the stable platform

30 The last two years have involved a major effort in revising existing standards—almost half of them will have been revised in time for 2005. However, although the ‘stable platform’ is a commitment by the IASB not to issue after March 2004 any new standards for application before 2006, the IASB cannot stand still: we must press ahead with the many unresolved accounting issues before us.

Business combinations—phase II

31 The Board will want to make early progress with phase II of the business combinations project. This comprises the following discrete parts:

- issues related to applying the purchase method of accounting
- issues related to business combinations involving two or more mutual entities and business combinations in which separate entities are brought together by contract to form a dual listed company
- the accounting for business combinations in which separate entities or operations of entities are brought together to form a joint venture, including possible applications for ‘fresh start’ accounting
- the accounting for business combinations involving entities under common control.

32 In April 2002 the Board agreed to accelerate work on part of the phase II project—the purchase method procedures project. This is a joint project with the FASB, and is viewed by both boards as a broad reconsideration of existing purchase accounting guidance (other than the guidance developed as part of phase I of the IASB’s project). An important objective of the joint project is to achieve convergence between FASB and IASB guidance on purchase accounting.

33 In broad terms, the joint project seeks to achieve convergence on

- a number of minority interest issues, such as whether a minority interest’s share of goodwill should be recognised and whether the purchase of a minority interest should be treated as the purchase of equity.
- the treatment of a business combination achieved through successive equity purchases.
- the measurement of the consideration paid in a business combination, including the measurement date for equity instruments issued as consideration, the treatment of direct costs of the business combination, and the recognition and measurement of contingent consideration.
- the recognition and measurement of the identifiable assets acquired and liabilities assumed in a business combination.

34 The boards have substantially completed their deliberations on the purchase method procedures project. The Board aims to publish its exposure draft in the second quarter of 2004.

Exploration and evaluation assets

35 Another candidate for early resolution will be the application of IFRSs to exploration and evaluation expenditures of particular interest to the extractive industries. In April, the Board agreed to develop interim guidance on this topic. At present, entities in the extractive industries (including oil and gas and mining entities) use a variety of methods to account for their exploration and evaluation expenditures: some write off all costs incurred before exploitable reserves are discovered, others defer all costs until it is evident that exploitable reserves have not been discovered, others do something in between. A working group of national standard-setters (Australia, Canada, Norway and South Africa) presented a report to the Board in April recommending that it should develop guidance permitting existing accounting practices to continue

within IFRSs pending further study. The working group was concerned that, without such guidance, entities could be forced to change their accounting policies quite radically, leading to a solution that the Board might not accept at a later date once its own longer-term project on extractive industries generally was completed.

36 Accepting the working party's recommendation the Board developed proposals that were published in January 2004 as an exposure draft, ED 6 *Exploration for and Evaluation of Mineral Resources*. The proposed short new standard would permit an entity to continue the accounting policies applied in its most recent annual financial statements for exploration and evaluation expenditures, including the recognition and measurement of exploration and evaluation assets. An impairment test under IAS 36 *Impairment of Assets* would be required for any exploration and evaluation asset recognised. However, that impairment test could be conducted at the same level as it was applied previously (rather than at the level otherwise required by IAS 36). This means that impairment might be tested at the level of an individual well (or group of wells) or to a larger area (eg a country).

Convergence

37 After March 2004 the Board will move into a new phase. Freed of the pressure of the 2005 deadline the Board can explore in more detail with its constituents some of the major problems affecting financial reporting. It intends to do this in conjunction with its partner standard-setters and in particular with the FASB. The two boards have agreed to have two joint meetings yearly and to align their agendas. The latter task will involve discussions with the Standards Advisory Council, national standard-setters, the European Financial Reporting Advisory Group (EFRAG) and others to determine the future agenda to ensure that the two boards do not move in different directions having achieved convergence of their existing standards.

38 All of the Board's main projects incorporate the strategy of global convergence and many are being developed, or have been developed, in conjunction with national standard-setters, for example:

- the joint projects with the FASB on business combinations (as described above) and revenue recognition (see paragraph 46)
- a joint project on performance reporting with the UK Accounting Standards Board and the FASB
- the following research projects:
 - extractive industries (Australia, Canada, Norway, South Africa)
 - concessions (Australia, France, Spain and the UK)
 - leases (the UK)
 - management's discussion and analysis (Canada, Germany, New Zealand and the UK)
 - intangibles (Australia)
 - hyperinflation (Argentina and Mexico)
 - measurement (Canada)
 - joint ventures (Australia, Hong Kong, Malaysia and New Zealand).

39 The Board also has a joint short-term convergence project with the FASB that aims to reduce differences between IFRSs and US GAAP in areas that are not covered by other major projects. So far the IASB:

- has (as mentioned earlier) published an exposure draft ED 4 *Disposal of Non-current Assets and Presentation of Discontinued Operations*, proposing convergence with aspects of the US standard SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*

- is considering amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to converge with aspects of SFAS 146 *Accounting for Costs Associated with Exit or Disposal Activities*
- is considering withdrawing IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

40 For its part, the FASB published in December 2003 four exposure drafts proposing the following changes in its standards to bring them into line with those of the Board, namely:

- voluntary changes in accounting policies would be required to be applied by retrospective application rather than by cumulative effect adjustment, as required at present.
- changes to the calculation of earnings per share.
- asset exchanges that would require a gain or loss to be recognised on the exchange of similar productive assets based on the fair value of the exchange unless the exchange lacks commercial substance.
- unusual ('abnormal') amounts of idle capacity and spoilage costs would be excluded from the cost of inventory and recognised as an expense when incurred.

41 In addition a proposed standard on the classification of liabilities is expected from the FASB in the near future.

42 In the next phase of the short-term project with the FASB, the boards plan to work together on income taxes, research and development, and interim reporting. The convergence programme with the FASB will remain a priority, and we shall step up our efforts to maintain the momentum of convergence.

“ The convergence programme with the FASB will remain a priority, and we shall step up our efforts to maintain the momentum of convergence.”



The IASB held a joint meeting with the Canadian AcSB and the US FASB in Toronto in October. The chairmen of the three bodies are pictured here attending a symposium on convergence and standard-setting: Paul Cherry (AcSB) at the lectern, Bob Herz (FASB) centre and David Tweedie (IASB) right.



Jim Leisenring and Warren McGregor in session at one of the IASB's public meetings.

“...when the work on IAS 39 is completed, the IASB will engage interested parties worldwide to seek longer-term solutions that will simplify the accounting for financial instruments in an IAS 39 (stage II) project.”

Financial instruments and insurance

43 The forthcoming amendment of IAS 39 on macro hedging and the conclusion of phase I of the insurance project will not end discussion on the appropriate accounting for financial instruments and insurance contracts. On the contrary, when the work on IAS 39 is completed, the IASB will engage interested parties worldwide to seek longer-term solutions that will simplify the accounting for financial instruments in an IAS 39 (stage II) project. This is unlikely to be a simple task. It took our predecessor body twelve years to produce IAS 39 and whilst I hope its successor will arrive in a much shorter timescale there are undeniably difficult issues to be tackled. In the interim, any revisions that could improve the implementation of the principles in IAS 39 could be incorporated into the existing standard. As mentioned at paragraph 23, we are also committed to a comprehensive IFRS for insurance contracts. Neither project will be easy, nor has the Board formed any firm view of the direction that either project will take.

Disclosures of risks arising from, and other disclosures relating to, financial instruments

44 Related to the financial instruments and insurance projects is the project that has grown out of a proposal to revise IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*. The Board agreed that it would be inappropriate to limit the scope of the project to banks and similar financial institutions. The scope was therefore expanded to encompass all entities with financial activities rather than merely financial institutions. As work proceeded, it became apparent that risks arise from, and the same disclosures are relevant to, all financial instruments. Therefore, the focus (and the title) of the project was changed to cover all entities that have financial instruments. To advise it on this project, the Board set up an Advisory Group.

45 In July the Board confirmed its support for the Advisory Group's proposals and tentatively agreed that the aim was to publish a proposed standard and other amendments for public comment in mid-2004. The new requirements would then be issued early in 2005 for application for accounting periods beginning on or after 1 January 2007, with earlier adoption permitted or encouraged.

Revenue recognition

46 Revenue recognition remains one of the most contentious topics in accounting, and affects all entities. The approaches to it that are taken in standards and in conceptual frameworks (both the IASB's and other standard-setters') are inconsistent, and guidance on some crucial issues is non-existent. The Board is therefore progressing a project on revenue recognition jointly with the FASB. The Board's objective is to develop a comprehensive set of principles for revenue recognition that will lead to a revision of the IASB *Framework* and IAS 18 *Revenue*. Exposure drafts are expected to be published late in 2004.

Measurement

47 The Canadian Accounting Standards Board (AcSB) is developing a discussion paper on measurement objectives in financial accounting as input to the IASB's project to amend its *Framework* in respect of measurement. The draft discussion paper focuses on measurement of assets and liabilities on initial recognition and measurement of asset impairment. During 2003, representatives of the AcSB spoke to drafts of the discussion paper at five IASB meetings, three of which were held with liaison standard-setters. No Board decisions were sought on measurement concepts. The AcSB will present a revised draft of the discussion paper at the Board's meeting with liaison standard-setters in April 2004, with a view to finalising the discussion paper within the next few months.

Accounting standards for small and medium-sized entities

48 In September 2002 the IASB hosted a meeting of 40 of the world's national accounting standard-setters. In preparation for that meeting we surveyed them on their views on what the IASB should do. With near-unanimity they said that IASB should develop a single global SME GAAP published as a separate, stand-alone document (not as add-ons to existing IFRSs).

49 The Board's project on standards for small and medium-sized entities (SMEs) consequently moved to the active agenda in the second half of 2003. A Director of Standards for SMEs was engaged. The Board decided that development of IASB SME standards should start by extracting the fundamental concepts from the *Framework* and the principles and related mandatory guidance from IFRSs and Interpretations. Any modifications to those concepts or principles must be based on the identified needs of users of SME financial statements. The Board thought it likely that some disclosure and presentation modifications would be justified on the basis of users' needs, but there would be a rebuttable presumption that no modifications would be made to the recognition and measurement principles in IFRSs. The Board agreed that a principle of 'no public accountability' should be the overriding characteristic to identify those business entities for which IASB SME standards would be intended.

Interpretations

50 If some of the Board's work is looking forward to pronouncements that may not mature for some years into the future, the International Financial Reporting Interpretations Committee (IFRIC) operates at the other end of the time spectrum, focusing chiefly on the problems that are emerging from the application of today's standards.

51 During 2003 the IFRIC prepared six draft Interpretations. Of these, two were published in 2003, a further two were published in early January 2004 and two more were drafted for publication later in the first quarter of 2004.

52 By the end of 2003 the IFRIC's current agenda included:

- multi-employer pension plans (draft Interpretation expected first quarter 2004)
- defined contribution pension plans with a guaranteed minimum return on assets (draft Interpretation expected first quarter 2004)
- the scope of IAS 11 *Construction Contracts* and issues of combining and segmenting contracts (a US GAAP convergence project)
- using net present value techniques in the absence of observable fair value (raised in the context of IAS 41 *Agriculture*)
- first-time application of hyperinflationary accounting.

53 In December 2003, the Board asked the IFRIC, as a matter of urgency, to examine the application of the requirements of IAS 32 *Financial Instruments: Disclosure and Presentation* for puttable instruments to certain instruments issued by cooperative banks. Those banks are working with the IFRIC on this issue.

54 It was also likely that the European Financial Reporting Advisory Group would shortly request the IFRIC to examine the meaning of control in the context of venture capital entities' investments and the possible need for such entities to consolidate investees under IAS 27 *Consolidated and Separate Financial Statements*.

55 In addition, the IFRIC has begun its consideration of several matters related to service concession arrangements. These matters have come to the IFRIC as a result of a report to the Board by a group of national standard-setters (Australia, France, Spain and the UK) that

was presented in April. This project is a large and controversial undertaking and could result in several Interpretations or amendments to standards. The next phase of the IFRIC's work will be to develop comprehensive examples to be used to educate IFRIC members and to test proposed solutions. The questions facing the IFRIC include:

- Is lease accounting the appropriate model to apply in accounting for service concession arrangements and similar arrangements?
- Do any obligations arise under arrangements like service concession arrangements that are not lease obligations or other obligations that relate to equally unperformed executory contracts? If they do, how should they be accounted for?

The Board's procedures

56 As I have described above, the coming year and the period beyond will pose demanding challenges on a wide range of accounting problems. To ensure that we are in the best position to meet these challenges the Board is examining its due process. Although we have adopted best practice of national standard-setters it has become clear that many of our constituents have felt that the Board is too remote, that they have not got access to our meetings or cannot easily discover how far our deliberations have progressed. To deal with these concerns we have already taken various steps. In particular, we have expanded the notes we make available for observers at our meetings (and also post them on our Website). These notes now include:

- background to the issues being considered by the Board
- all illustrations and examples given to the Board
- all PowerPoint presentations and spreadsheets used at Board meetings
- staff recommendations.



57 We have also begun to broadcast our meetings over the Internet, and although this arrangement is having teething troubles we hope that they will be resolved soon.

58 The Board intends to publish an exposure draft to seek views on other procedural proposals including the prompt publication of commentators' letters, the use of discussion papers and publication of proposed changes to exposure drafts and the final drafts of forthcoming exposure drafts and standards. The challenge for the Board will be to increase the access of our constituents to our process while ensuring that the process itself is not subject to excessive delay.

Standards Advisory Council

59 The Standards Advisory Council met three times during 2003 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. This experience has been demonstrated by the quality of the discussions.

60 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. 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. During the coming year we shall be discussing with the Council ways in which we can work more productively together to enable us to harness even more effectively the talent residing among the Council members.

Changes in membership

61 During the year Harry Schmid told us that he had decided to step down from the Board on 31 March 2004, a year before his term expires. His immense experience, as a preparer of financial statements for over 40 years before he joined the Board and as a standard-setter with IASC, has enabled him to make a solid contribution to the Board's work, and I am most grateful to him for delaying his departure until the Board has completed its 'stable platform'. We shall miss him. At the end of the year his successor had yet to be announced.

62 During the year there were several changes in the membership of the Standards Advisory Council. Jeannot Blanchet, Philip Livingston and Gabrielle Napolitano relinquished their membership and in their place we welcomed Tatiana Krylova, Chief, Enterprise Internationalization Section, at the United Nations Conference on Trade and Development, Fang Ai Lian, Chairman of Ernst & Young, Singapore, and Colleen Sayther, President and Chief Executive Officer, Financial Executives International, United States.

63 There were no changes in the membership of IFRIC during the year, but the following members had their terms renewed: Junichi Akiyama, Professor of Accounting, Tama University, Japan; Leo van der Tas, partner, Ernst & Young, the Netherlands; Patricia Walters, Senior Vice President, Professional Standards and Advocacy, Association for Investment Management and Research; and Ken Wild, Partner, Deloitte & Touche.

Staffing

64 In May the Trustees announced the appointment of Elizabeth Hickey as the organisation's first Director of Education, with effect from 1 August. In this role, she is responsible for assisting in the preparation of explanatory and educational materials related to IFRSs, for assuring the quality of educational products carrying the IASC Foundation logo, and for general educational activities. Liz has for many years been a leading expert on technical accounting and standard-setting issues, both in her home country, New Zealand (having been Chairman of New Zealand's Financial Reporting Standards Board), and internationally, and I am delighted to know that this critical new role is in such experienced hands.

65 Another familiar figure on the international accounting scene, Paul Pacter, joined the IASB staff as Director of Standards for Small and Medium-sized Entities. He was a member of the staff of IASC 1996-2000 and subsequently joined Deloitte. Kevin Singleton joined as the

IASB's first senior practice fellow. He was previously a director in KPMG's UK technical accounting group, where he advised on most accounting issues, specialising in financial instruments and related topics.

66 As an international organisation, the IASB attracts staff from all over the world, many of them on temporary assignments to London. There is therefore a steady turnover of people working at Cannon Street.

67 There were several departures of technical staff. Lu Jianqiao, visiting fellow, returned to the China Accounting Standards Committee. Three practice fellows left: two completed their secondment and returned to practice—Marie-Christine Batt (from France) in the UK and Christine Lee to her native US; the third, Svetlana Khromenko from Russia, who had joined us during the year, left to begin her maternity leave. Two project managers moved on: Magnus Orrell from Sweden left to enter practice in the US, and Julie Erhardt, having completed her short attachment to the IASB, as planned, returned to the US for postgraduate studies. Kristin Hazzis from the US, who was the IASB's first technical associate, left to enter practice.

68 The other departures were the long-serving librarian, Kathryn DeKauwe, who left to pursue other interests, and, at the reception desk, Vanessa Richardson, who left to return to New Zealand. Her place was filled by Ana Nobre, who comes from Portugal. Brigitte Schuster returned to Austria to resume her studies. From our publications department Janice Wade and Claire Guenebeaud both left at the beginning of 2004.

69 We welcomed several new colleagues during the year:

- Christoph Bonin (Germany)
- Kumar Dasgupta (India)
- Josef Macdonald (New Zealand)
- Leilani Macdonald (New Zealand)
- Farhad Zaman (Bangladesh).

Towards the end of the year Graham McBride and David Bray joined the publications staff, and we appointed Adrian Murray (Australia) to join the technical staff early in 2004.

70 In recognition of her outstanding contribution to the organisation, and the need to reinforce the supervision of the enlarged technical staff, we promoted Kimberley Crook to senior project manager, alongside Peter Clark, Annette Kimmitt and Sandra Thompson.

71 As is evident, the staff are drawn from many parts of the world, and they bring a rich diversity of backgrounds and experience. What they have in common, apart from their exceptional skills and expertise, is a strong commitment to the ideals that underlie the IASB's mission. I am sure that my fellow Board members share my admiration and respect for our staff colleagues' technical and professional excellence, and for their cheerful enthusiasm and stamina, which have certainly been needed in a year that has placed great strains on the whole organisation. For me it remains stimulating and enriching to work with so many talented people, and I am grateful to them all, including those who have now moved on to other fields.

Summing up

72 In my report last year I said that 2003 looked set to be a year of unremitting challenge. I was right. It certainly tested our resources and capacity to the limit, and by the end of the year we had not accomplished everything that we had hoped. Bringing the Improvements project to a successful conclusion proved to be far more time-consuming and staff-intensive than we had expected, but at least it was completed by the end of the year, and resulted in revised

versions of fifteen standards (including the fourteen identified by IOSCO for improvement) and consequential amendments to seventeen others. In other words, the text of almost every one of our standards was affected by the project.

73 Completing the 2005 portfolio by 31 March must therefore be the immediate priority for the coming year. That is a task that goes far beyond putting the finishing touches to the standards on share-based payment, business combinations, insurance contracts and the treatment of non-current assets and discontinued operations, on all of which work is well advanced. The knottiest problem will be to find (if at all possible) a satisfactory way of meeting the concern expressed, notably by parts of the banking industry in Europe, about the Board's proposals on hedge accounting—the final stage in the revision of IAS 39.

74 Once the Board has established the 'stable platform' for 2005, it will be able to complete its proposals, for publication in the second quarter as exposure drafts, on the first instalment of the second phase of the business combinations project (on application of the purchase method); financial risk and other amendments to financial risks disclosures; and the convergence projects on IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and on employee benefits. By the end of the year the Board hopes to have issued a standard on exploration for and evaluation of mineral resources and to have published proposals on consolidation (including special purpose entities) and on conceptual aspects of revenue and related liabilities. During the year the Board also hopes to make progress on the question of accounting by small and medium-sized entities, and entities in emerging and transition economies.

75 Additionally, we shall consult the Standards Advisory Council in February about new projects to add to our agenda. Candidates include leasing, derecognition, MD&A and various aspects of the conceptual framework.

76 The views of EFRAG and our partner standard-setters, who have done sterling work in advancing the international research programme, will also be sought before any final decision on the agenda will be made. We continue to be exceedingly well-served by the standard-setters' efforts and are at present seeking to utilise each other's resources to maximum effect without duplication of effort.

Giving credit

77 There are various groups of people to whom I wish to express special thanks. First, the Hon Paul Volcker, the chairman of the Trustees, and his colleagues: their enthusiasm and support for the Board and its work have again been unwavering. 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 dealing with the increased pressures of an expanded workload, and to Michael Butcher, the Editorial Director, and Liz Hickey for their efforts in ensuring that our publications programme stayed on course.

78 I should again like to pay tribute to the work of my fellow Board members. After nearly three years together we have come to appreciate each other's strengths and to tolerate each other's idiosyncrasies. Though there is often honest disagreement, as should be expected when fellow professionals debate technical matters to which each of us brings our particular insights derived from personal knowledge and experience, there is also a genuine will among us to understand our differences and if possible to bridge them. Above all, as those who observe our proceedings will know, our debates are usually conducted with great good humour, showing that you can be serious without being solemn!

79 Another group to whom a special debt of gratitude is due are the members of the IFRIC. The IFRIC is now getting into its stride. It has shown its readiness, on the one hand, to be robust in the face of requests for statements of the obvious and, on the other hand, to tackle a rising demand for help in understanding the intentions of the standards. I am sure that, as IFRSs become more widely adopted, the IFRIC members' advice and experience will be an increasingly valuable resource for the organisation.

80 The IFRIC is chaired in a non-voting capacity by the Director of Technical Activities, Kevin Stevenson. He and the Director of Research, Wayne Upton, are in charge of the technical staff, and it is on their shoulders that the enormous burden of organising the Board's work rests. The Board is fortunate indeed to have the support and commitment of these two dedicated professionals and we are most grateful to them and all our excellent technical staff for their immense contribution. Lastly, I want to thank the editorial staff for coping with the unprecedented volume of publications published in the year, the Publications Department for arranging for our documents to be translated and published expeditiously, and our secretaries and administrative staff for continuing to take good care of us, and in particular for helping all of the Board members to appear in the right place at the right time with the right documents.



David Tweedie

Chairman of the IASB

IASB Documents current at 31 December 2003

Preface to International Financial Reporting Standards

Framework for the Preparation and Presentation of Financial Statements

International Financial Reporting Standards

S = standards being superseded by revised version
R = revised version issued in 2003

IFRS 1	First-time Adoption of International Financial Reporting Standards	
IAS 1	Presentation of Financial Statements	S
IAS 1	Presentation of Financial Statements	R
IAS 2	Inventories	S
IAS 2	Inventories	R
IAS 7	Cash Flow Statements	
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	S
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	R
IAS 10	Events After the Balance Sheet Date	S
IAS 10	Events after the Balance Sheet Date	R
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	S
IAS 16	Property, Plant and Equipment	R
IAS 17	Leases	S
IAS 17	Leases	R
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	S
IAS 21	The Effects of Changes in Foreign Exchange Rates	R
IAS 22	Business Combinations	
IAS 23	Borrowing Costs	
IAS 24	Related Party Disclosures	S
IAS 24	Related Party Disclosures	R
IAS 26	Accounting and Reporting by Retirement Benefit Plans	
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	S
IAS 27	Consolidated and Separate Financial Statements	R
IAS 28	Accounting for Investments in Associates	S
IAS 28	Investments in Associates	R
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	S
IAS 31	Interests in Joint Ventures	R
IAS 32	Financial Instruments: Disclosure and Presentation	S
IAS 32	Financial Instruments: Disclosure and Presentation	R
IAS 33	Earnings Per Share	S
IAS 33	Earnings per Share	R
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	S
IAS 39	Financial Instruments: Recognition and Measurement	R
IAS 40	Investment Property	S
IAS 40	Investment Property	R
IAS 41	Agriculture	

Interpretations of International Financial Reporting Standards

W=Interpretation being superseded by standard

IFRIC Mandate and Operating Procedures

SIC-1	Consistency - Different Cost Formulas for Inventories	W
SIC-2	Consistency - Capitalisation of Borrowing Costs	W
SIC-3	Elimination of Unrealised Profits and Losses on Transactions with Associates	W
SIC-5	Classification of Financial Instruments – Contingent Settlement Provisions	W
SIC-6	Costs of Modifying Existing Software	W
SIC-7	Introduction of the Euro	
SIC-8	First-Time Application of IASs as the Primary Basis of Accounting	W
SIC-9	Business Combinations - Classification either as Acquisitions or Unities of Interests	
SIC-10	Government Assistance - No Specific Relation to Operating Activities	
SIC-11	Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations	W
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	W
SIC-15	Operating Leases – Incentives	
SIC-16	Share Capital - Reacquired Own Equity Instruments (Treasury Shares)	W
SIC-17	Equity - Costs of an Equity Transaction	W
SIC-18	Consistency - Alternative Methods	W
SIC-19	Reporting Currency - Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29	W
SIC-20	Equity Accounting Method - Recognition of Losses	W
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	W
SIC-24	Earnings Per Share - Financial Instruments and Other Contracts that May Be Settled in Shares	W
SIC-25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders	
SIC-27	Evaluating the Substance of Transactions in 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	W
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	W

* To be withdrawn from 2005.

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 2003 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 1 December 2003 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 1 December 2003 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 2003 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 LLP

Chartered Accountants and Registered Auditors

STATEMENT OF ACTIVITIES

Year ended 31 December

	Notes	2003 £'000	2002 £'000
OPERATING REVENUES			
Contributions	3	9,680	11,675
Other income		<u>22</u>	<u>24</u>
		9,702	11,699
<hr/>			
Publications and related revenue	4	2,957	2,303
Less direct cost of sales		<u>(1,398)</u>	<u>(1,272)</u>
		1,559	1,031
Total operating revenues		11,261	12,730
<hr/>			
OPERATING EXPENSES			
Salaries, wages and benefits	5	7,897	7,265
Accommodation	6	952	952
Board meetings		854	846
Committees		347	198
Travel for consultations		271	235
External relations		120	183
Audit, legal & taxation		167	219
Communications		154	225
Other costs		125	111
Total operating expenses		10,887	10,234
<hr/>			
TRUSTEES' COSTS			
Fees	7	338	333
Meeting expenses	7	<u>155</u>	<u>154</u>
		493	487
Total expenses		11,380	10,721
<hr/>			
OPERATING (EXPENSES)/ REVENUES IN EXCESS OF (REVENUES)/EXPENSES		(119)	2,009
<hr/>			
Interest income		348	278
United Kingdom corporation tax recoverable	8	<u>-</u>	<u>26</u>
		348	304
<hr/>			
Change in fair value of financial instruments		203	930
Profit (Loss) on exchange		1,068	264
Portfolio management fee		<u>(10)</u>	<u>(10)</u>
INCREASE IN NET ASSETS		1,490	3,497
Net assets at beginning of year		<u>10,077</u>	<u>6,580</u>
NET ASSETS AT END OF YEAR		11,567	10,077

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

STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	2003 £'000	2002 £'000
ASSETS			
Non-current assets			
Leasehold property, leasehold improvements, furniture and equipment	9	670	848
Financial assets	10	4,897	3,604
Derivative financial assets	10	119	-
		<u>5,686</u>	<u>4,452</u>
Current assets			
Derivative financial assets	10	1,030	861
Accrued interest receivable on bonds		26	40
Financial assets	10	975	1,435
Cash at bank and in hand	10	5,123	4,171
Contributions receivable	3	488	478
Taxation recoverable	8	26	26
Other receivables		188	206
Prepaid expenses		140	154
		<u>7,996</u>	<u>7,371</u>
TOTAL ASSETS		13,682	11,823
CURRENT LIABILITIES			
Contributions received in advance	3	106	52
Publications revenue received in advance		572	445
Accrued expenses and sundry creditors		1,437	1,249
		<u>2,115</u>	<u>1,746</u>
TOTAL LIABILITIES		2,115	1,746
NET ASSETS		11,567	10,077

CASH FLOW STATEMENT

Year ended 31 December

	Notes	2003 £'000	2002 £'000
OPERATING ACTIVITIES			
Contributions	3	9,724	11,863
Cash receipts from customers		3,053	2,349
Other receipts		21	42
Cash paid to suppliers and employees:			
Operating expenses		(10,435)	(10,388)
Publications direct expenses		(1,325)	(1,098)
Trustees' costs	7	(529)	(433)
Net cash from operating activities		509	2,335
INVESTING ACTIVITIES			
Purchase of bonds		(2,404)	(6,009)
Matured bonds receipts		1,407	962
Interest received		435	322
Taxes on interest income paid		-	(41)
Purchase of furniture and equipment		(47)	(53)
Leasehold property and leasehold improvements		(6)	(85)
Portfolio management fee		(10)	(10)
Profit (Loss) on exchange		1,116	529
Net cash from investing activities		491	(4,385)
Effects of exchange rate changes on cash and cash equivalents		(48)	(265)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		952	(2,315)
Cash and cash equivalents at beginning of period		4,171	6,486
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	5,123	4,171

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

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) and the Standards Advisory Council. The Trustees appoint the Board members and related bodies, exercise oversight over the IASB and other committees and raise the funds needed, whereas the Board has sole responsibility for setting accounting standards in accordance with its mandate set out in the IASCF Constitution.

Beginning with commitments for financial year 2001, the Trustees raised funds to cover costs associated with the reorganisation of the IASCF and ongoing operations. Additionally, the Trustees sought 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 accounting policies used are consistent with those applied in prior years.

(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 only printing costs and other direct costs including publications department salaries, promotion, and certain computer costs. The direct costs do not include other costs of publishing standards, including costs of Trustees or Board meetings, associated costs of the IASCF's management team related to the publications programme, the costs of the editorial function involved preparing published materials, various overheads including administration, computer and financial costs, cost of capital, or the costs relating to publications of the work of the Advisory and Steering Committees, IFRIC, 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 33¹/₃ 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 assets

Derivative financial instruments (collars in 2003 and forward contracts in 2002, 2004, and 2005) are used to hedge the exposure to foreign exchange risks from dollar contributions used to finance sterling obligations arising from activities. In accordance with its risk management policy, the IASCF 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 that have documented different intentions regarding payment.

Year	2003 £'000	2003 \$'000	2002 £'000	2002 \$'000
2003	-	-	9,042	14,557
2004	8,079	14,415	8,856	14,257
2005	8,065	14,390	8,841	14,232

The pledges were made primarily in US dollars, which have been translated at the financial year-end rate of US \$1.7842 to £1 (2002: US\$1.6099).

Four contributions received in 2003 amounting to £106,000, specifically designated by the contributor for use by the IASCF in 2004, were recognised as a liability at the end of 2003. Contributions amounting to £488,000 received in January and February 2004, specifically designated by the contributor for 2003, were recognised as revenue in 2003.

4. PUBLICATIONS AND RELATED REVENUE

	2003 £'000	2002 £'000
Sales of subscriptions and publications	2,236	1,603
Royalties and permission fees	631	595
Other related activities	90	105
	<u>2,957</u>	<u>2,303</u>

5. EMPLOYEES

The IASCF had an average of 60 employees (including Board members and interns) during 2003 (2002: 52).

	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Staff costs, including IASB members' salaries and other costs	7,639		6,989	
Contributions to defined contribution pension plans	237		199	
Recruitment and relocation costs	<u>21</u>	7,897	<u>77</u>	7,265
Direct staff costs included in publications direct expenses				
Salaries and other costs	421		360	
Contributions to defined contribution pension plans	27		25	
Recruitment and relocation costs	<u>24</u>	472	<u>-</u>	385
		<u>8,369</u>		<u>7,650</u>

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.

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 41 per cent of the lease payments) are due as follows:

Due Date	Payments	
	2003	2002
	£'000	£'000
2003	-	596
2004	595	595
2005	544	544
2006	544	544
2007	544	544
2008	408	408
	2,635	3,231

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 and 2003.

As these discussions relate to the status of the IASCF since it succeeded IASC, the tax charge made in 2001 with respect to the activities from the date of succession was reversed in 2002.

9. LEASEHOLD PROPERTY, LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

	Leasehold Property	Leasehold Improvements	Furniture, Equipment	2003 total	2002 total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2003	56	671	475	1,202	1,504
Additions	1	3	45	49	133
Disposals	-	-	(2)	(2)	(435)
At 31 December 2003	57	674	518	1,249	1,202
Depreciation					
At 1 January 2003	12	137	205	354	559
Charge for the year	9	115	103	227	226
Disposals	-	-	(2)	(2)	(431)
At 31 December 2003	21	252	306	579	354
Net carrying amount					
At 31 December 2003	36	422	212	670	
At 31 December 2002	44	534	270	848	

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Investments	Carrying Amount	Carrying Amount	Fair Value	Fair Value
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Sterling-denominated fixed rate bonds	5,872	5,079	5,872	5,079

The bonds mature within a period of 0 to 5 years. The nominal interest of the bonds is within a range of 4.5% to 8.5% (2002: 5% to 8.5%) and the effective interest rate is within a range of 4.1% to 4.89%. (2002: 3.65% to 4.3%)

Derivatives	Notional	Maturity Date	Fair Value	
			2003	2002
	£'000		£'000	£'000
GBP/USD Forward contracts	10,520	2004	1,030	(1)
GBP/USD 1.42 Call options	9,000	2003	-	867
GBP/USD 1.36 Put options	9,000	2003	-	(5)
			1,030	861
GBP/USD Forward contracts	7,875	2005	119	-

The fair values of investments and derivatives are based on quoted market prices

Cash at bank and in hand comprises the following:

	2003	2002	Effective interest rate	
			2003	2002
	£'000	£'000	%	%
Bank sterling deposits due after 7 days, within one to two months	3,250	-	3.64	-
Bank sterling deposit due within 7 days	500	2,960	3.11	3.80
Bank United States dollars deposit due within 10 days	-	683	-	0.91
Cash and bank deposits due on demand				
Sterling in London	292	-	2.10	-
Sterling in London	87	139	0.50	0.85
Euro in London	60	21	-	-
United States dollars in London	160	324	0.10	0.10
United States dollars in New York	770	47	-	-
Sterling and US dollars in Geneva	4	(3)	-	-
	5,123	4,171		

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 and balances from time to time held in accounts with Barclays Bank (Suisse) S.A to cover hedging obligations.

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, 2004 and 2005 and adopted a collar strategy for 2003 that would provide a fixed sterling equivalent from the US dollar contributions 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 collars expiring quarterly in 2003. For 2004, 90 per cent and for 2005, 67 per cent of the projected budgets are covered through forward contracts, each expiring at the end of a quarter. The Trustees will consider whether additional forward contracts for 2005 are necessary to cover the remaining US dollar exposure. 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 11 sterling-denominated notes of the UK government and international organisations with an AAA rating. Funds are divided in relatively equal sums with maturities in each of the next five 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 9 March 2004.

TRUSTEES OF THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE FOUNDATION

As at 31 December 2003

Name and affiliation	Term expires	Name and affiliation	Term expires
Paul A Volcker, Chairman Former Chairman, US Federal Reserve Board United States	31 December 2005	Max Dietrich Kley Member of the Supervisory Board, BASF Aktiengesellschaft Germany	31 December 2005
Roy Andersen Chairman, Murray and Roberts Holdings South Africa	31 December 2006	Malcolm Knight General Manager, Bank for International Settlements International Organisation	31 December 2004
John H Biggs Former Chairman and Chief Executive Officer, TIAA-CREF United States	31 December 2004	Philip A Laskawy Retired Chairman, Ernst & Young International United States	31 December 2006
Bertrand Collomb Chairman, Association Française des Enterprise Privées (AFEP) France	With effect from 1 January 2004	Charles Yeh Kwong Lee Chairman, Hong Kong Exchanges and Clearing Ltd Hong Kong	31 December 2005
Roberto Teixeira da Costa First Chairman Brazilian Securities and Exchange Commission (CVM) Brazil	31 December 2004	Sir Sydney Lipworth Former Chairman, UK Financial Reporting Council United Kingdom	31 December 2005
Sir Andrew Crockett Former General Manager, Bank for International Settlements; President, J P Morgan Chase International International Organisation	Retired 30 June 2003	Didier Pineau-Valencienne Honorary Chairman, Schneider Electric France	31 December 2003
Guido A Ferrarini Professor of Law, University of Genoa Italy	31 December 2004	Jens Røder Senior Partner, PricewaterhouseCoopers Denmark	31 December 2004
L Yves Fortier Chairman, Ogilvy Renault, Barristers and Solicitors; former Ambassador of Canada to the United Nations Canada	31 December 2006	David S Ruder Professor of Law, Northwestern University; former Chairman, US Securities and Exchange Commission United States	31 December 2005
Toru Hashimoto Chairman, Deutsche Securities Limited, Tokyo Branch Japan	31 December 2005	Kenneth H Spencer * Member, Australian Financial Reporting Council; former Chairman, Australian Accounting Standards Board Australia	31 December 2004
Cornelius Herkströter Former President, Royal Dutch Petroleum and Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group The Netherlands	31 December 2006	Koji Tajika Former Chairman, Deloitte Touche Tohmatsu Japan	31 December 2004
		Sir Dennis Weatherstone Former Chairman and Chief Executive Officer, JP Morgan & Co Inc United States	31 December 2005

* It is with great sadness the Trustees note the death of Ken Spencer on 31 March 2004.

INTERNATIONAL ACCOUNTING STANDARDS BOARD

As at 31 December 2003

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 J 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 Retiring 31/3/2004
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 30/6/2007
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 2003

Members

Name and Affiliation

Junichi Akiyama Professor, Tama University	Term expires 30 June 2006 Japan
Phil Ameen Vice President and Comptroller General Electric Company	Term expires 30 June 2005 United States
Jeannot Blanchet Managing Director, Equity Research, Morgan Stanley Europe	Term expires 30 June 2004 France
Claudio de Conto General Manager Administration and Control, Pirelli & C. S.p.A	Term expires 30 June 2005 Italy
Clement K M Kwok Managing Director and Chief Executive Officer Hong Kong and Shanghai Hotels Limited	Term expires 30 June 2005 Hong Kong
Wayne Lonergan Managing Director, Lonergan Edwards & Associates Limited	Term expires 30 June 2005 Australia
Domingo Mario Marchese Partner, Marchese, Grandi, Mesón & Asociados	Term expires 30 June 2004 Argentina

Name and Affiliation

Mary Tokar KPMG International Financial Reporting Group Partner, KPMG LLP	Term expires 30 June 2004 United States
Leo van der Tas Partner, Ernst & Young	Term expires 30 June 2006 The Netherlands
Patricia Walters Senior Vice President, Association for Investment Management and Research	Term expires 30 June 2006 United States
Ken Wild Global Leader - IAS, Deloitte Touche Tohmatsu	Term expires 30 June 2006 United Kingdom
Ian Wright Partner, Pricewaterhouse Coopers	Term expires 30 June 2004 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 2003.

AFRICA

Ndung'u Gathinji Chief Executive Officer, Eastern Central and Southern African Federation of Accountants (ECSAFA), Kenya

Peter Wilmot (SAC Vice Chairman)

Chairman, Accounting Practices Board, South Africa; retired Chairman of Deloitte, South Africa

ASIA, excluding Japan

Fang Ai Lian Council Member, Council on Corporate Disclosure and Governance; Chairman and Managing Partner, Ernst & Young, Singapore

Raja Arshad-Uda Executive Chairman, PricewaterhouseCoopers, Malaysia; member of PwC Global IFRS Board; former Chairman, Malaysian Accounting Standards Board

Marvin Cheung Retired Chairman and Chief Executive Officer, KPMG, China and Hong Kong

Feng Shuping Secretary General, China Accounting Standards Committee, China

Rifaat Ahmed Abdel Karim Secretary-General, Islamic Financial Services Board, Malaysia

Kyung-Ho Kim Vice Chairman, Korea Accounting Standards Board, Korea from 1 January 2004; Professor, Hong-Ik University

Yezdi Malegam Managing Partner, S.B. Billimoria & Co., India; Chairman, National Accounting Standards Advisory Board (Government of India); Chairman, Accounting Standards Committee (Securities Exchange Board of India)

Reyaz Mihular Chairman, Sri Lankan Accounting Standards Committee; Partner, KPMG Ford Rhodes Thornton & Co., Sri Lanka; IAS Product Leader, KPMG Middle East & South Asia

AUSTRALIA AND NEW ZEALAND

Ian Ball Chief Executive, International Federation of Accountants, New Zealand

Peter Day Executive General Manager of Finance, Amcor Limited, Australia

CANADA AND UNITED STATES

Michael A Conway National Managing Partner and Senior Professional Practice Partner, KPMG LLP, United States

Gerald Edwards, Jr Associate Director and Chief Accountant - Supervision, Federal Reserve Board, United States

Trevor Harris Managing Director, Equity Research, Morgan Stanley, United States

Patricia McConnell Senior Managing Director, Bear Stearns & Co. Inc., United States; Chairperson, AIMR's Global Financial Reporting Committee

Paul McCrossan Retired Partner, Eckler Partners; Past-President, International Actuarial Association, Canada

Colleen Sayther President, Financial Executives International, United States

David Shedlarz Executive Vice President and Chief Financial Officer, Pfizer Inc, United States

Keith Sherin Senior Vice President-Finance and Chief Financial Officer, General Electric Company, United States

David Sidwell Chief Financial Officer, Investment Bank, JP Morgan Chase & Co., United States

Norman Strauss Former National Director of Accounting, Ernst & Young LLP, United States; Ernst & Young Executive Professor in Residence at Baruch College, City University of New York, United States

CENTRAL AND EASTERN EUROPE

Larissa Gorbatova IAS Project Coordinator, Centre for Capital Markets Development; Chairman, Financial Reporting Council, Russia

Rita Ilisson IAS Manager, Deloitte & Touche, Estonia, Central and Eastern Europe; former Chairman, Estonian Accounting Standards Board

Tatiana Krylova

Section Chief DITE, United Nations Conference on Trade and Development; UN Intergovernmental Working group on International Standards of Accounting and Reporting (ISAR), Russia

EUROPEAN UNION

David Damant Chairman, Accounting Advocacy Committee, United Kingdom Society of Investment Professionals

Philippe Danjou Director, Corporate Accounting matters, Autorité des Marchés Financiers; Chairman of Subcommittee on International Standards Endorsement (SISE) of the CESR; member of CESRFIn

Stig Enevoldsen Partner, Deloitte Denmark; member of the Deloitte global IFRS leadership team; Chairman-Designate, EFRAG's Technical Expert Group

Douglas Flint Group Finance Director, HSBC Holdings plc, United Kingdom

Alberto Giussani Partner, PricewaterhouseCoopers SpA, Italy; member, OIC (Italian standard-setting body)

Sigvard Heurlin Retired Partner, Öhrlings PricewaterhouseCoopers, Sweden; member Redovisningsrådet (Swedish standard-setting body) and Akutgruppen (Swedish emerging issues task force)

Benoit Jaspar Vice Director, Assicurazioni Generali, Italy

Jean Keller General Delegate of ACTEO; member of the Supervisory Board, EFRAG; member of the Board of Directors of Lafarge, France

Carmelo de las Morenas Former Chief Financial Officer, REPSOL YPF Group; member of the Board of Directors, Spain

Jochen Pape Partner and Technical Director International Financial Reporting, PricewaterhouseCoopers, Germany; Chairman, PwC Global IFRS Board

Maija Torkko Senior Vice President, Corporate Controller, Nokia Corporation, Finland

Willem Van Der Loos Retired Vice President, Corporate Control, Philips International BV, The Netherlands

JAPAN

Eiko Tsujiyama Professor of Accounting, Waseda University; member, Accounting Standards Board of Japan

Yoshiki Yagi Chairman, Sub-Committee on Accounting, Japan Business Federation; Executive Vice President, Hitachi Ltd, Japan

LATIN AMERICA

Nelson Carvalho Professor, Universidade de São Paulo, Brazil; Partner, NCV Consulting (M&A and Capital Markets)

Héctor J Estruga Professional Practice Director for South America, Ernst & Young, Argentina

Rafael Gomez Eng

Northeast Regional Director, KPMG, Mexico

MIDDLE EAST

Adir Inbar Chairman of the Professional Board, Institute of Certified Public Accountants in Israel; Partner, Deloitte Israel

INTERNATIONAL ORGANISATIONS

BASEL COMMITTEE ON BANKING SUPERVISION

Arnold Schilder Chairman of Basel Committee's Accounting Task Force; Executive Director, De Nederlandsche Bank, The Netherlands

IFAC PUBLIC SECTOR COMMITTEE

Ian Mackintosh Chairman (retired 31 December 2003)

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Florence Lustman Chair, IAIS Accounting Subcommittee; Secretary General, Commission de Contrôle des Assurances, France

INTERNATIONAL MONETARY FUND

Arne Petersen Chief, Financial Infrastructure Division, Monetary and Financial Systems 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

ACCOUNTING FIRMS (\$1,000,000 per year)

Deloitte Touche Tohmatsu
Ernst & Young
KPMG
PricewaterhouseCoopers

UNDERWRITER COMPANIES²

Allianz AG
Amvescap
Aventis
Banco Bradesco S/A
Banco Itaú S/A
Bank of America Corporation
BASF AG
Bayer AG
Bear Stearns & Co.
BMW AG
BP plc
Citigroup Foundation
DaimlerChrysler AG
Deutsche Bank Stiftungsfonds
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
Nestlé S.A.
New York Stock Exchange, Inc.
L'Oréal
Pfizer Inc
Prudential Financial, Inc.
Royal Philips Electronics N.V.
RWE AG
Shell International Ltd.
Siemens AG
State Farm Insurance Companies
Swiss Reinsurance Company
Telecom Italia S.p.A.
TIAA-CREF
Total SA
UBS AG

SUPPORTERS

Abbott Laboratories
ABN Amro Bank N.V.
Aegon Group N.V.
Alcan Inc.
Alcatel
Altana AG
American International Group, Inc.
Anglo American plc
Asahi & Co.
Assicurazioni Generali S.p.A.
AstraZeneca PLC
AT&T
Aviva plc
AXA
Barloworld Limited
BHP Finance Ltd.
The Boeing Company
Bombardier Inc.
Canon Inc.
Cemex
China Mobile (Hong Kong) Ltd.
China National Offshore Oil Company Ltd.
China Unicom Limited
Chuo Aoyama Audit Corporation
Commerzbank AG
Companhia Brasileira de Distribuição
Companhia Vale do Rio Doce

Deutsche Telekom AG
DSM N.V.
Dresdner Bank AG
E.I. Du Pont de Nemours and Company
Euronext N.V.
Exxon Mobil Corporation
FIAT S.p.A.
Fujitsu Limited
GE Fund
General Motors Corporation
Georgia-Pacific Corporation
GlaxoSmithKline plc
Hitachi, Ltd.
Hong Kong Exchanges & Clearing Ltd.
HypoVereinsbank (HVB Group) AG
Investec plc
Ito-Yokado Co., Ltd.
ITOCHU Corporation
Johnson & Johnson
The Kansai Electric Power Co., Inc.
Komatsu Ltd.
Legal & General Group plc
Lockheed Martin
London Stock Exchange plc
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.
NASD Regulation
NASDAQ Stock Market, Inc.
NEC Corporation
Nippon Steel Corp.
Nippon Telegraph & Telephone Corporation
Nissan Motor Co., Ltd.
Nippon Unipac Holding
Nortel Networks Corporation
Old Mutual plc
Osaka Securities Exchange, Inc.
Petróleo Brasileiro S.A.
PetroChina Company Ltd.
Pirelli S.p.A.
Prudential plc
Rio Tinto plc
Royal Ahold N.V.³
Royal Bank of Canada
SABMiller plc.
SAP A.G.
Shin Nihon & Co.
Shiseido Co., Ltd.
State Street Corporation
Sumitomo Chemical Company, Limited
Sumitomo Corporation
TD Bank Financial Group
Telkom SA Limited
Tohmatsu & Co.
Tokyo Electric Power Company
Tokyo Stock Exchange, Inc.
Toronto Stock Exchange Inc., The
Toshiba Corporation
Toyota Motor Corporation
Unibanco
Unilever N.V.³
Vodafone Group Services Limited

CENTRAL BANKS & GOVERNMENT ENTITIES

Banca d'Italia
Banco de España
Banco de México
Bank Negara Malaysia
Bank of Canada

Bank of England
Bank of Greece
Bank of Japan
Bank of Korea
Banque de France
Central Bank & Financial Services
Authority of Ireland
Central Bank of the Russian Federation
Corporation of London
Czech National Bank
De Nederlandsche Bank
Deutsche Bundesbank
European Central Bank
Hong Kong Monetary Authority
Ministry of Finance, People's Republic of China
Monetary Authority of Singapore
National Bank of Hungary
National Bank of Poland
National Bank of Slovakia
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
US Federal Reserve, Board of Governors

INTERNATIONAL ORGANISATIONS

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

**OTHER OFFICIAL ORGANISATIONS
& ASSOCIATIONS**

AIMR (*Association for Investment Management
and Research*)
Financial Executives International
Financial Reporting Council of Australia⁴
Japan Securities Dealers Association
The Japanese Institute of Certified Public
Accountants
The Life Insurance Association of Japan
The Marine & Fire Insurance Association
of Japan, Inc.
Nippon Keidanren⁵
The Security Analysts Association of Japan
The Tokyo Bankers Association, Inc.
Trust Companies Association of Japan

¹ Total of 183 financial supporters, including 38 Underwriters and 40 Japanese donors paying through the Nippon Keidanren.

² Underwriter companies provided five-year pledges beginning in 2001 and ranging from \$100,000 to \$200,000 per year, in accordance with levels prescribed by a formula based on market capitalisation.

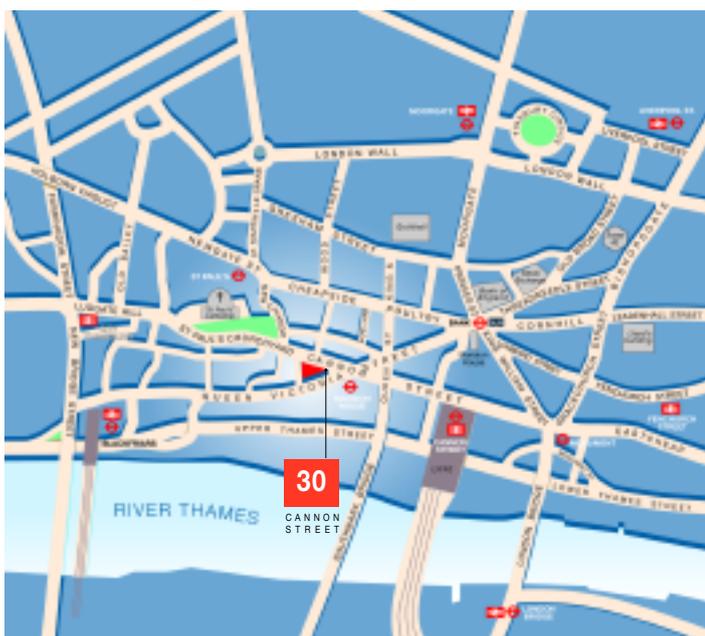
³ Its 2003 contribution arrived after the IASC Foundation's 2003 Financial Statements were closed.

⁴ The Australian Financial Reporting Council made its contribution on behalf of private and public sector stakeholders in the Australian accounting standard-setting process.

⁵ This list excludes three Japanese organisations that preferred to remain unnamed.

CONTACT DETAILS

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.

IASCF and IASB Contact Numbers

BOARD MEMBERS AND SENIOR STAFF AT 30 CANNON STREET

Telephone +44 (0)20 7246 6410

IASB Chairman
Sir David Tweedie dtweedie@iasb.org
Vice-Chairman
Thomas E Jones tjones@iasb.org

Board Members

Mary E Barth mbarth@iasb.org
Hans-Georg Bruns hbruns@iasb.org
Anthony T Cope tcope@iasb.org
Jan Engström* jhengstrom@iasb.org
Robert P Garnett rgarnett@iasb.org
Gilbert Gélard ggelard@iasb.org
James J Leisenring jleisenring@iasb.org
Warren J McGregor wmcgregor@iasb.org
Patricia L O'Malley tomalley@iasb.org
John T Smith jsmith@iasb.org
Geoffrey Whittington gwhittington@iasb.org
Tatsumi Yamada tyamada@iasb.org

* With effect from 1 May 2004.

Senior IASB Technical Staff

Director of Technical Activities
Kevin Stevenson kstevenson@iasb.org
+44 (0)20 7246 6460

Director of Research
Wayne Upton wupton@iasb.org
+44 (0)20 7246 6449

IASCF Principal Officers

Director of Operations
Thomas Seidenstein tseidenstein@iasb.org
+44 (0)20 7246 6450

Commercial Director
Kurt Ramin kramin@iasb.org
+44 (0)20 7246 6440

Director of Education
Elizabeth Hickey ehickey@iasb.org
+44 (0)20 7246 6458

Editorial Director
Michael Butcher mbutcher@iasb.org
+44 (0)20 7246 6461

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IASCF Publications Department, 30 Cannon Street, London EC4M 6XH, United Kingdom

International Accounting Standards Committee Foundation, 30 Cannon Street, London EC4M 6XH, United Kingdom
Telephone: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411 email: iasb@iasb.org Web: www.iasb.org

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