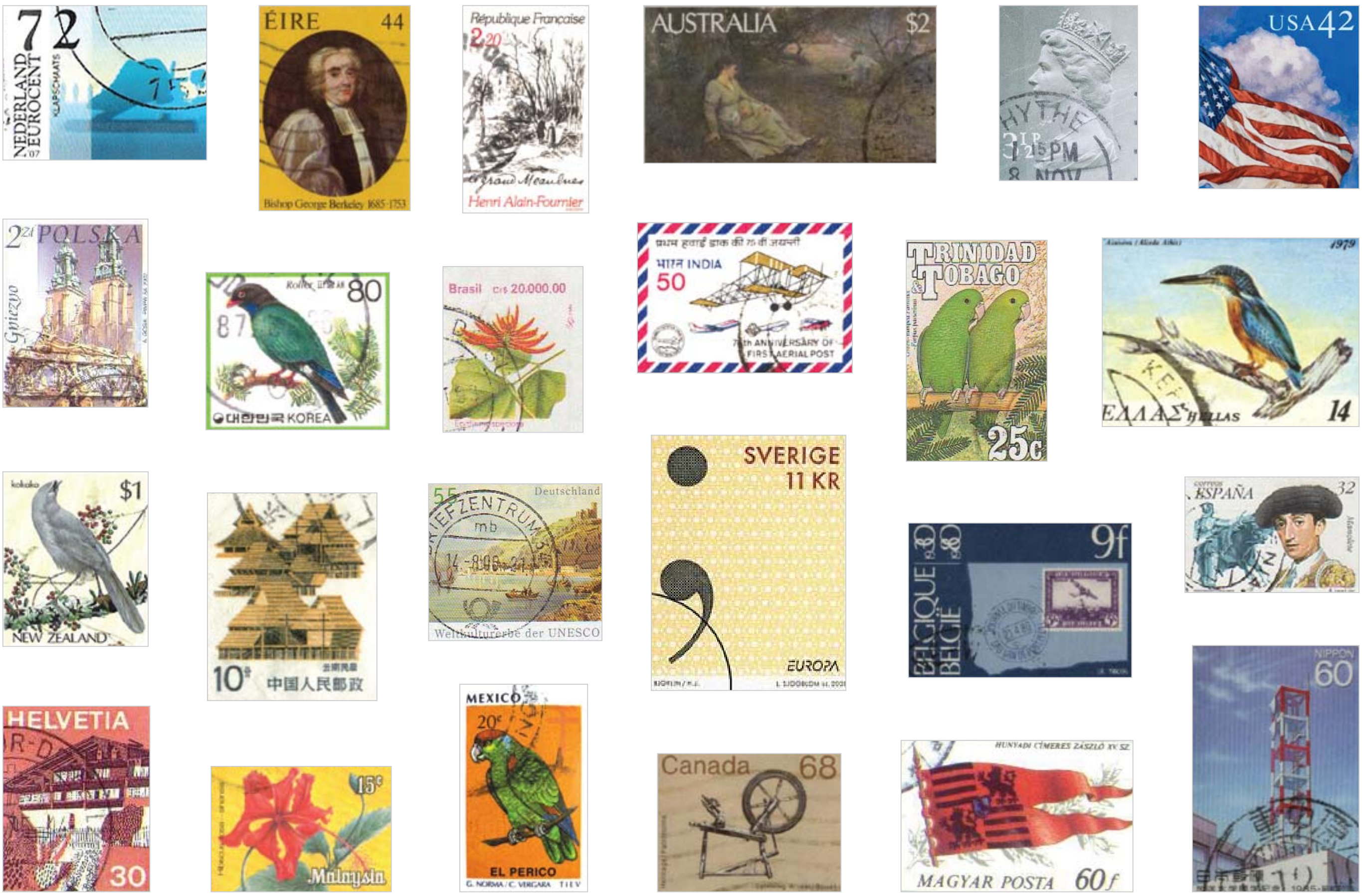
IASC Foundation

Annual Report 2007



International
Accounting Standards
Committee Foundation®

IASC Foundation

An international organisation

The Trustees and staff of the IASC Foundation and the members of the IASB are drawn from almost 30 countries across the world. This annual report of our work uses postage stamps from each of these countries as a visual demonstration of the truly international nature of the IASC Foundation and the IASB's work.

Highlights

2001

Establishment of the IASC Foundation and IASB

2002

European Union passes regulation to adopt IFRSs for listed businesses beginning 1 January 2005

IASB and FASB announce initiative to achieve convergence of financial reporting standards and to co-ordinate future work programmes

2003

IASB issues first new standard – IFRS 1 *First-time adoption of IFRSs*

Australia, Hong Kong, New Zealand and South Africa commit themselves to adoption of IFRSs

2004

IFRS improvement and stable platform completed in first quarter

IASB seeks broader stakeholder engagement through enhanced Due Process

Contents

2005

In Europe nearly 7,000 listed businesses in 25 countries simultaneously switch to IFRSs

US SEC Chief Accountant publishes "roadmap" describing steps towards the removal of the reconciliation requirement by 2009

2006

IASB and FASB agree Memorandum of Understanding for advancing convergence of IFRSs and US GAAP

China adopts accounting standards substantially in line with IFRSs – ultimate goal of full convergence

2007

Brazil, Canada, Chile, India, Japan and Korea all establish time lines to adopt or converge with IFRSs

US SEC removes reconciliation requirement for non-US companies reporting under IFRSs, and consults on IFRSs for domestic companies

Over 100 countries now require or permit the use of IFRSs

Report of the Chairman of the IASC Foundation Trustees

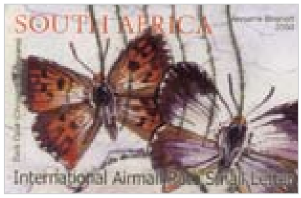
The objective of the IASC Foundation is to establish International Financial Reporting Standards (IFRSs) as the universally accepted standard for financial reporting in the world's capital markets. Having assumed the chairmanship of the Trustees at the outset of 2008, I am impressed with the extraordinary progress that the IASC Foundation and the International Accounting Standards Board (IASB) have made towards that objective.

GERRIT ZALM
CHAIRMAN OF THE IASC
FOUNDATION TRUSTEES

The year 2007 was a milestone year on a number of fronts. In Asia, China adopted an entirely new system of accounting based upon IFRSs and made a formal commitment to IFRSs. India and Korea are committed to a formal time line for the adoption of IFRSs. Japan set a target date of June 2011 for the convergence of Japanese generally accepted accounting principles (GAAP) with IFRSs. In the Americas, Brazil and Canada will make IFRSs mandatory for publicly traded companies at the beginning of the next decade. In Europe, the remainder of publicly traded companies that had yet to adopt IFRSs did so.

Significantly, in 2007 the United States – long a supporter of convergence towards a global standard – took a major step towards acceptance of IFRSs in the United States. In November the US Securities and Exchange Commission (SEC) agreed to remove the reconciliation requirement for those non-US companies that use IFRSs as adopted by the IASB and are registered in the United States. The removal of the reconciliation requirement was one of the major medium-term objectives of the IASB when it agreed the February 2006 Memorandum of Understanding (MoU) with the US Financial Accounting Standards Board (FASB). Sir David Tweedie and his colleagues at the IASB and the FASB deserve credit for making achievement of this objective possible.

The Trustees are also closely following the ongoing discussions at the US SEC, as it considers whether to permit IFRSs for US companies. US adoption of IFRSs will be necessary to make IFRSs a truly global standard. The SEC Concept Release on the role of IFRSs in the United States is encouraging, and the Trustees of the IASC Foundation are committed to dedicating the necessary resources to enable the IASB to achieve the objectives set out in the MoU.



Enhancing the organisation's accountability

In great part, the success of the IASC Foundation, the IASB and International Financial Reporting Standards (IFRSs) is a testament to the continuing strength of the organisation's major operating premise – accounting standards should be set, following an extensive and transparent due process, by a highly professional, independent body, the IASB. The IASB should be appropriately protected from particular national, sectoral or special interest pleading.

> "As adoption of IFRSs has spread, the Trustees have sought to reinforce their accountability to the public interest through a number of initiatives."

As adoption of IFRSs has spread, however, the Trustees have sought to reinforce their accountability to the public interest through a number of initiatives. These have included steps aimed at refining the Trustees' oversight function. For example, the Due Process Oversight Committee has become one of the most active standing committees of the Trustees. In addition to ensuring the IASB's compliance with its established due process, the committee now meets the IASB regularly to discuss issues related to the IASB's strategy. The Trustees have also established a framework for annually reviewing our effectiveness in carrying out our oversight responsibilities. This annual review features a separate report on those oversight activities for 2007.

Furthermore, we have encouraged the IASB's efforts to enhance its due process and interaction with interested parties. In 2007 the IASB produced its first feedback statement and impact assessment for the revised business combinations standards. The IASB also agreed to conduct post-implementation reviews of all new IFRSs, major amendments to IFRSs, and major IFRIC Interpretations two years after their implementation.

As more countries choose to adopt IFRSs, communicating with a broad range of interested parties becomes both more challenging and important in ensuring support for the IASB's standard-setting activities. In 2007 the Trustees and the IASB established a structured communications programme with dedicated resources. While the communications programme remains relatively small in size, our objective is to utilise the networks that the Trustees and IASB members possess and to leverage technology and existing resources, such as national and other accounting standard-setting bodies.

In 2007 the Trustees also developed strategies aimed at ensuring the quality of the IASC Foundation's IFRS XBRL taxonomy and the official translations of IFRSs. For example, the Trustees created an XBRL Advisory Council, modelled on the IASB's Standards Advisory Council, and an XBRL Quality Review Team. These initiatives and their financing are at an early stage, but such quality control efforts are part of our strategy to assist consistent application of IFRSs.

"The objective of the IASC Foundation is to establish International Financial Reporting Standards (IFRSs) as the universally accepted standard for financial reporting in the world's capital markets."

£12 MILLION

The IASC Foundation remains in a relatively strong financial position with nearly £12 million in cash-in-hand and highly rated governmental and other AAA-rated fixed income securities.

Establishing a sustainable basis of funding

One of the major responsibilities for the Trustees, in addition to the oversight of the IASB's work, remains securing the necessary resources to operate the organisation. The adoption of IFRSs throughout the world has necessarily led to the need for more resources, particularly on the standard-setting side of the organisation. The Trustees wished to ensure:

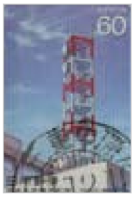
- the ability of the IASB to meet the time lines imposed by the Memorandum of Understanding
- the adequacy of staff arrangements to handle the increased emphasis on additional consultation
- continuation of the IASB's and the Foundation's efforts to encourage IFRS adoption.

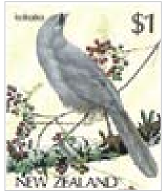
At the same time, the organisation has maintained a prudent approach to budgeting as long as the large majority of revenues have come from voluntary contributions. In 2007:

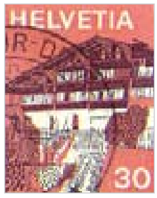
- **A gradual increase in expenses:** The overall expense, including direct expenses of publications and related activities, rose to £17.1 million from £16.3 million in 2006 (a 4.9 per cent increase).
- **Emphasis on professional staff:** Salaries, wages, and benefits rose to £11.0 million (£9.7 on non-publications related activities) from £10.3 million (£9.2 million on non-publications related activities), as the number of employees increased from 76 to 91. In particular, the Trustees have expanded the IASB technical staff from 33 in 2006 to 45 in 2007.

Despite a depreciating US dollar, the currency in which most of the contributions were raised in 2007, the Trustees succeeded in reducing the deficit to £212,170 from £311,175 in 2006. While the Trustees have successfully reduced their US dollar exposure in future years, the IASC Foundation purchased forward contracts to guarantee sterling funds for this more limited exposure in 2008 (a nominal value of forward contracts of US$11.8 million) and 2009 (a nominal value of forward contracts of US$6.6 million). The contracts were agreed on 5 December and showed a loss of £217,553 at year-end.

I am pleased that the IASC Foundation remains in a relatively strong financial position with nearly £12 million in cash-in-hand and highly rated governmental and other AAA-rated fixed income securities. This will provide some







flexibility for the IASC Foundation as it establishes a longer-term financing regime.

Indeed, the Trustees emphasised the priority of establishing, by 2008, a broad-based, long-term approach to replace the largely voluntary system of contributions that has existed since the organisation's inception. In 2007 the Trustees made significant progress towards that objective, and in a number of countries advanced the efforts to a year earlier. The Trustees have succeeded in expanding the sources of funding from nearly 200 to thousands, either directly or indirectly through regulators and business associations. In 2007 contributions rose to £11.3 million from £10.4 million, an 8.6 per cent increase.

Entering 2008, the Trustees have secured financing regimes in a number of countries, and at the end of February 2008, £13 million of a £16 million annual target had been committed on a continuing basis. The Trustees remain committed to funding the standard-setting operations through these new funding arrangements and will continue to pursue the £16 million target. While the Trustees are establishing the new regimes, the remaining shortfall will be covered by publications sales and interest on investments. A fuller description of our financing efforts follows later in the annual report.

> "Entering 2008, the Trustees have secured financing regimes in a number of countries, and at the end of February 2008, £13 million of a £16 million annual target had been committed on a continuing basis."

Making the IASB the world's standard-setter

One of my chief objectives as Chairman of the Trustees is to promote the consistent adoption of global standards by avoiding future carve-outs of IFRSs. The use of national or regional flavours of IFRSs is inconsistent with the goal of a single set of accounting standards used throughout the world. The Trustees and the IASB are seeking to avoid any perceived need for carve-outs and differences by engaging key interested parties at the earliest stages possible in any consultation. At the same time, on the governance front, we Trustees believe that the second five-yearly Constitution Review, which is mandated by the existing Constitution and began in March 2008, will enable us to address some lingering concerns regarding our public accountability.

As a result of the rapid advance of IFRS adoption and following the input resulting from their increased interaction with external parties, the Trustees initiated a review of the organisation's strategy in early 2007. The Trustees believed that a long-term assessment of the organisation's objectives and future would be useful in preparing for the Constitution Review. As part of the strategy review process, the Trustees met key stakeholders from around the world with an interest in accounting standard-setting, including regulators, accounting and business organisations, and the Standards Advisory Council.

The strategy review highlighted the need to enhance now the public accountability of the IASC Foundation, if the IASB is to become the world's accounting standard-setter, a clear organisational objective. Therefore, the Trustees have decided to address this issue of public accountability as a fast-track priority for the Constitution Review. Following their meeting in October-November 2007,

the Trustees announced a proposal to establish a link to a Monitoring Group composed of public authorities as the first step of the Constitution Review. The relevance of this priority was underlined when, immediately after the Trustees' press release, a group of regulators, including the International Organization of Securities Commissions, the European Commission, the Japan Financial Services Agency and the US SEC, also issued in November 2007 a similar press release regarding the IASC Foundation's public accountability.

The strategy review also emphasised the practical benefits that would result from another immediate constitutional change – the expansion of the IASB to 16 members and the addition of defined requirements related to the IASB's geographical diversity. The expansion of the IASB would enable it to engage with interested parties throughout the world more efficiently and effectively and bring new perspectives to the IASB's deliberations. Furthermore, the addition of a geographical component would strengthen the legitimacy of the IASB in the view of the countries choosing to adopt IFRSs throughout the world. At the same time, the Trustees believe that the Constitution's emphasis on 'professional competence and practical experience' remains fundamental.

With these two priorities in mind, the Trustees have agreed a process and time line whereby the Constitution Review should be complete by the end of 2009. However, on the issues of public accountability (the creation of a Monitoring Group) and the composition of the IASB, those interested parties already consulted requested Trustees to expedite the process. The Trustees are therefore proposing, as the Constitution permits, to deal with those separately and in an accelerated time frame, with a view to implementation in 2009.

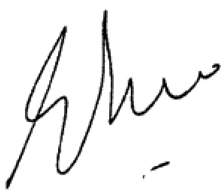
After completing these two issues, the Trustees will conduct the Constitution Review in a manner that will enable interested parties to raise any other issues that they wish for the Trustees to consider and to provide opportunities to input on proposals.

The objective is near

As stated earlier, the Trustees have a clear organisational objective in mind – to have the right governance structure and necessary resources in place to enable the IASB to become the world's accounting standard-setter. I am delighted that I have been able to inherit the chairmanship of an organisation that has made such progress towards the objective and is well-positioned for the future. My predecessors – Paul Volcker, Tommaso Padoa-Schioppa and Phil Laskawy – deserve enormous credit for their efforts, and I am particularly appreciative of Phil's and Bertrand Collomb's leadership in the 18 months following Tommaso's departure.

At the same time, Sir David Tweedie and his colleagues on the IASB have shown both vision and perseverance in their convergence efforts, and the removal of the US reconciliation requirement and the adoption efforts in Canada, China, India, Japan and Korea, among others, is a clear endorsement of the approach. The Trustees will continue to encourage the IASB's efforts on the MoU and will provide the IASB with the necessary resources to complete its work.

We are close to our objective, and the Trustees are focused on its achievement in the coming months and years.



Gerrit Zalm, Chairman of the Trustees, IASC Foundation

Putting public accountability first: A report of the Trustees' oversight activities for 2007

As a conclusion of their first five-yearly Constitution Review completed in 2005, the Trustees recognised, as they continue to recognise, the need to demonstrate the organisation's public accountability. The Trustees have placed particular emphasis on their oversight and engagement with the IASB. As one of the measures taken, the Trustees created the Due Process Oversight Committee (formerly the Procedures Committee) as a standing committee of the Trustees.

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Number of countries now permitting or requiring IFRSs.
Source: Deloitte IASplus, April 2008

In 2007 the Trustees approved an updated mandate for the Due Process Oversight Committee. The Committee's mandate is to undertake a review of the Trustee's oversight work, including the IASB's adherence to due process. The Committee carries out its oversight functions by developing proposals and measurement targets regarding oversight responsibilities for consideration by the Trustees. The Committee monitors the achievements of these targets and suggests amendments to these targets when appropriate. The Committee also listens carefully to feedback received from outside stakeholders and acknowledges valid points where appropriate.

In assessing the achievement of these targets, the Committee uses a framework for evaluating the Trustees' effectiveness in carrying out their constitutional responsibilities. This framework document was originally approved in November 2006. The Trustees have a commitment to report annually on their oversight activities as part of this framework and it is augmented by detailed information on the IASC Foundation's Website. In considering how the Trustees demonstrate the organisation's accountability, the Committee pays particular attention to how the Trustees provide evidence of these activities occurring. The first assessment report was published in April 2007 and is available on the IASC Foundation's Website. The 2007 report of the Due Process Oversight Committee was approved in March 2008 and is also posted on the Website.

Significantly, as part of the Trustees' efforts to engage with the IASB, the Trustees have also initiated regular, formal meetings of the Due Process Oversight Committee with the IASB. The first of these meetings took place in 2007. The Trustees' goal in these meetings is to help fulfil the dual mission of increasing the Trustees' oversight role without compromising the IASB's independence. The Trustees believe that these meetings additionally provide a useful opportunity for the Trustees and IASB to co-ordinate their outreach efforts and exchange information to ensure that the Trustees and the IASB are aware of each other's activities. The Committee reports regularly on its work to the Trustees at public meetings.

In addition to establishing the Due Process Oversight Committee, the Trustees have taken other steps to formalise their oversight function more clearly and to enhance the IASB's due process. For example the Trustees have enhanced the procedures for performance reviews of the IASB.

> "The IASB has developed procedures that bring transparency, predictability and consistency to the way its key constituencies are involved in its activities and should be congratulated on its achievements. We would like to see more global organisations doing the same."
>
> One World Trust Global Accountability Report 2007

Regular meetings now take place with various interested external parties, including public officials and business, investor and accountancy organisations.

The Trustees as a whole, and the Committee, have also established regular dialogue with the IASB, aimed at enhancing the IASB's due process procedures and deepening the engagement of stakeholder groups with the IASB. Efforts in previous years resulted in the following improvements undertaken by the IASB:

- broadcasting over the Internet of all its meetings and meetings of its working groups
- posting on its Website enhanced observer notes to enable interested parties to follow the IASB's deliberations
- providing a minimum of one year between the approval and the required application of new IFRSs or major amendments to IFRSs
- emphasising consultation through the increased use of discussion papers, working groups, and longer comment periods.

In 2007, after dialogue with, and with the support of the Committee, the IASB introduced:

- feedback statements
- impact assessments
- two-year post-implementation reviews.

The Committee and the Trustees as a whole believe that the introduction of these three steps as part of the IASB's formal due process will reinforce stakeholder engagement, build further understanding of the IASB's conclusions on standard-setting projects and ultimately improve the process of standard-setting. The first feedback statement and impact assessment was recently released for the revised business combinations standards. It is part of the tasks of the Due Process Oversight Committee to review the IASB's feedback statements and impact statements and suggest modifications of the process when necessary.

The Trustees believe that these actions have led to improved public accountability, transparency, understanding, and stakeholder assessment. The IASC Foundation was recognised as a 'high performer' in the areas of stakeholder participation, transparency and evaluation by One World Trust in its *2007 Global Accountability Report.* This is an annual assessment of the capability of 30 of the world's most powerful global organisations from the intergovernmental, non-governmental and corporate sectors to be accountable to civil society, affected communities and the wider public. The report states, 'The IASB has developed procedures that bring transparency, predictability and consistency to the way its key constituencies are involved in its activities and should be congratulated on its achievements. We would like to see more global organisations doing the same.'

But, as One World Trust rightly recognises, there is always room for improvement in an organisation's public accountability. The Trustees believe that the Constitution Review will provide a useful opportunity to identify other areas for enhanced accountability and procedures.

Funding of the organisation

Ensuring a stable, equitable and transparent basis of financing the IASC Foundation's budget has been one of the leading priorities of the Trustees since 2006. Historically, since its inception, the IASC Foundation financed itself primarily through a voluntary system of donors, comprising some 200 accounting firms, corporations, business associations, central banks and other official and business organisations.

"The Trustees have expanded their sources of funding in countries not previously on the IASC Foundation's donor list, such as India, Korea and Sweden."

In 2006 the Trustees initiated an attempt to evolve from the existing voluntary system to one that would develop and maintain an assured source of funding, free from concern that financial pressure could compromise the independence of the IASB's decision-making. To do so, the Trustees agreed upon four principles that would govern any new financing regime. The principles are:

- **Broad-based:** A sustainable long-term financing system must expand the base of support to include major participants in the world's capital markets, including official institutions, in order to diversify funding sources.
- **Compelling:** A system must carry with it enough pressure to make free riding very difficult. This could be accomplished through a variety of means, including official support from the relevant regulatory authorities and formal approval by the collecting organisations.
- **Open-ended:** The financial commitments should be open-ended and not contingent on any particular action that would infringe on the independence of the IASC Foundation and the IASB. This should include sustained support from official international organisations, central banks and the major accounting firms.
- **Country-specific:** The funding burden should be shared by the major economies of the world on a proportionate basis, using Gross Domestic Product as the main determining factor of measurement. Each country should meet its designated target in a manner consistent with the principles above. Trustees should be assigned to specific countries to assist in the development of the funding scheme.

In launching this effort in 2006, the Trustees set 2008 as the target date for having new country-specific regimes in place. In 2006 and 2007 the Trustees made significant progress towards that objective, and in a number of countries advanced the efforts to a year earlier. For example, the Trustees have expanded their sources of funding in countries not previously on the IASC Foundation's donor list, such as **India**, **Korea** and **Sweden**.

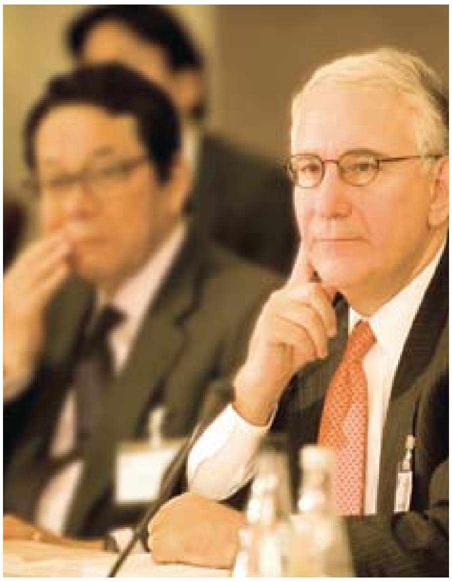
"The Trustees have already succeeded in expanding the sources of funding from nearly 200 to thousands, either directly or indirectly through regulators and business associations."

In advance of the 2008 target, the Trustees have also established new broader-based regimes in a number of countries. Some examples of the approach taken include:

- The **United Kingdom** and the **Netherlands** are implementing a levy on publicly traded companies
- **Australia**, **Hong Kong SAR**, **India** and **New Zealand** are providing direct contributions through the relevant regulatory authorities in an amount greater than, or equal to, their prorated portion
- Moving from an already broad-based system where companies gave their support through business associations, **Italy** has imposed a levy on companies when they file their company accounts
- Some countries, including **France**, **Japan** and **Sweden**, are gathering voluntary contributions through various business associations and industry sectors
- In some countries (**Germany** and the **United States** for example), Trustees are raising money by approaching individual companies. We are exploring the feasibility of a levy approach in each of those jurisdictions.

With many of these regimes in place in 2007, the Trustees have already succeeded in expanding the sources of funding from nearly 200 to thousands, either directly or indirectly through regulators and business associations. In addition to the increase in participation in 2007, contributions rose to £11.3 million from £10.4 million, an 8.6 per cent increase. A full list of 2007 contributors by country appears at the end of the annual report.

In 2008 the list of countries with broader-based regimes will grow. As at 25 February 2008, the IASC Foundation has £13 million in multi-year, annual commitments from country-specific regimes towards a target of £16 million.



The Trustees remain committed to funding the standard-setting operations through these new funding arrangements and will continue to pursue the £16 million target. While the Trustees are establishing the new regimes, the remaining shortfall will be covered by publications sales and interest on investments.

The table below shows a summary of the status of financing throughout the world as of 30 April 2008:

Country/type of contributor	System in place	Anticipated amount for 2008*
EUROPE		
Germany	Voluntary system of more than 80 private companies with maximum contribution of €36,000	€1,320,000
United Kingdom	Levy on companies through the UK Financial Reporting Council	£700,000
France	Voluntary system of more than 80 companies with no company paying more than €25,000	A target of €1,000,000 with €600,000 committed in 2007
Italy	Levy on registered companies	€750,000
Netherlands	Levy through the securities regulator proposed	€380,000
Sweden	Funding through Självregleringen i Sverige Service AB	€300,000
Switzerland	Funding primarily collected through Swiss business associations	€250,000
Luxembourg	Funding through the Bourse de Luxembourg	€50,000
Funding efforts are proceeding in other European Union Member States. Details of commitments will be posted on the Website when confirmed.		
AMERICAS		
United States	Voluntary system of 32 companies with range of contribution from $3,750-$200,000	US$3,500,000
Mexico	Voluntary system of contributions	US$50,000
Brazil	Voluntary system of contributions	US$15,000
Funding efforts are proceeding in Canada, and discussions are being held with the Accounting Standards Oversight Council of the Canadian Accounting Standards Board.		

* Subject to change due to ongoing efforts and based upon best estimates

Country/type of contributor	System in place	Anticipated amount for 2008*
ASIA-OCEANIA		
Japan	Voluntary system co-ordinated centrally, involving a range of Japanese market participants	US$2,800,000
China, excluding Hong Kong SAR	Voluntary contributions of Chinese listed companies organised through the Ministry of Finance and the China Accounting Standards Committee	US$900,000
Australia	Annual payment on behalf of private and public sector stakeholders in the Australian accounting standard-setting process	A$1,000,000
Korea	Voluntary contributions of Korean listed companies through the Korea Accounting Standards Board	A target of US$500,000 with US$300,000 committed in 2007
India	Contribution through primary stock exchanges	US$400,000
Hong Kong SAR, China	Contribution through regulatory authorities and the stock exchange	US$195,000
New Zealand	Annual payment through the Accounting Standards Review Board	NZ$200,000
Funding efforts are ongoing in other countries in the Asia-Oceania region.		
CENTRAL BANKS AND INTERNATIONAL ORGANISATIONS		
Central banks and international organisations	Voluntary payments	US$400,000 (efforts ongoing)
INTERNATIONAL ACCOUNTING FIRMS		
Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers	Voluntary payments	US$2,000,000 each
BDO and Grant Thornton	Voluntary payments	US$150,000 each
Mazars	Voluntary payment	US$100,000

* Subject to change due to ongoing efforts and based upon best estimates

Report of the Chairman of the IASB

The crowning achievement of 2007 was undoubtedly the decision by the US Securities and Exchange Commission (SEC) in November to remove the requirement for foreign private issuers reporting under International Financial Reporting Standards (IFRSs) as issued by the IASB to reconcile their financial statements to US generally accepted accounting principles (GAAP).

SIR DAVID TWEEDIE
CHAIRMAN OF THE IASB

The development of a single set of high quality, understandable and enforceable global accounting standards for use in the world's capital markets has been the primary goal of the IASB since its inception in 2001. The SEC's decision was an important step towards achieving that aim, and was an important objective of the IASB when we agreed on the Memorandum of Understanding (MoU) with the US Financial Accounting Standards Board (FASB).

Acceptance of IFRSs in 2007 was not limited to the United States. The SEC's decision follows those announced by other leading countries in 2007 to establish time lines for the acceptance of IFRSs in their domestic markets or accelerate convergence of national standards with IFRSs. Among those are Brazil, Canada, India and Korea, all of which will adopt IFRSs by 2011. Following an agreement in August with the Accounting Standards Board of Japan, Japanese GAAP and IFRSs will have converged by 2011. At the beginning of 2007 China introduced a completely new set of accounting standards that are intended to produce the same results as IFRSs.

Our work is not done, and the IASB's leading priority is completing its joint work with the FASB set out in the MoU in February 2006. After completing those projects, the IASB will have tackled some of the most challenging conceptual and presentational issues in financial reporting. The end result will be a set of IFRSs, based on clear principles, that provide transparency and usability to readers of financial statements throughout the world.

The technical programme

While most of the major projects on the Board's work plan are being undertaken jointly with the FASB, the IASB is also undertaking some major work on its own – insurance contracts, the revision of our standard on liabilities, and the proposed standard for smaller entities.

In addition to the major projects, the MoU with the FASB includes a short-term programme designed to align major principles in selected standards without attempting to deal with the underlying detail in either IFRSs or US GAAP.

The Board's work plan also includes some maintenance work on existing standards.

Major joint projects

The MoU committed the IASB and the FASB to improving their existing pronouncements where the accounting requirements are out of date and need

improvement by considering and, in most cases, issuing eleven joint standards over the next few years. Underpinning our work on the joint standards is the need to improve our conceptual frameworks and bring them into convergence.

Convergence of the conceptual framework

During 2007 the boards continued their drive towards developing a common framework for use in developing financial reporting standards. Each board has long had its own conceptual framework – the IASB's was published by its predecessor body in 1989. The two frameworks are similar in many respects, but both boards now wish to remove the remaining areas of difference and to fill in some of the conceptual gaps that have become apparent over the years. The project is being conducted in eight phases. Of those, four are active, namely: *Objective and Qualitative Characteristics, Elements and Recognition, Measurement* and *Reporting Entity.*

During 2007 the boards considered the comments received on the discussion paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information.* Collectively, the boards received nearly 180 comment letters. The boards expect to complete their redeliberations in early 2008 and then to publish an exposure draft for comment.

The boards have continued discussions about the definitions of an asset, a liability and equity, as well as concepts for recognition, derecognition and unit of account. The boards expect to publish a discussion paper on *Elements and Recognition* in 2009.

Early in 2007, as part of the measurement phase, the boards held round-table meetings in Hong Kong, London and Norwalk to hear constituents' views on measurement issues. A staff summary of the meetings was posted on the Website. The boards are now discussing measurement concepts and principles and considering approaches to evaluating potential measurement bases.

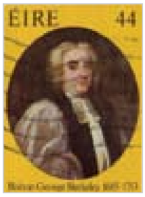
During 2007 the boards continued their preliminary discussions on the reporting entity concept, including the basis for determining the composition of a group reporting entity. The boards expect to publish a discussion paper on the *Reporting Entity* in 2008.

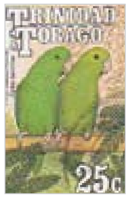
The joint standards

(i) Business combinations

In January 2008 the Board completed the second phase of its business combinations project by publishing a revised IFRS 3 *Business Combinations* and an amended IAS 27 *Consolidated and Separate Financial Statements.* The project was undertaken jointly with the FASB and is the first major project to result in a common standard being issued by the boards.

This has been an important project for the Board. Over the past decade the average annual value of corporate acquisitions worldwide has been the





equivalent of 8–10 per cent of the total market capitalisation of listed securities. Yet, the initial recognition of assets acquired and liabilities assumed in a business combination has been accounted for in different ways. Often, the cause is differences between IFRSs and US GAAP, but there has also been inconsistent application of IFRSs (and US GAAP).

With the new requirements, the accounting for a business combination generally will be the same whether an entity applies IFRSs or US GAAP. This is due largely to the fundamental changes the FASB has made to US GAAP bringing it into line with the original IFRS 3. The new requirements also improve areas of financial reporting that the IASB set aside when drafting the original IFRS 3.

To have the accounting for such a substantial level of business activity aligned globally for the first time is a notable achievement. The ability of the boards to work together in an area as contentious and significant as business combinations establishes a solid foundation for future efforts to establish global accounting standards.

The IASB used the business combinations project to introduce a new element of its due process. To improve the transparency of its deliberations, the IASB has published, for the first time, a *Project Summary and Feedback Statement.* This document explains how the comments received affected the thinking of the Board.

The IASB has also made a commitment to conduct, as a new initiative, a post-implementation review of the new standards. That review, which will begin two years after the implementation of the new requirements, will focus on important issues identified as contentious during the development of the standard and consideration of any unexpected costs or implementation problems encountered. The first standard coming under review will be IFRS 8 *Operating Segments* (issued in November 2006).

(ii) Consolidation

The subprime and liquidity crisis that began in 2007 and concerns about off balance sheet items have heightened interest in the Board's existing projects on consolidation and derecognition.

"The accounting for a business combination generally will be the same whether an entity applies IFRSs or US GAAP."

The Board continued work on its project to publish a single IFRS on consolidation to replace IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities.* The Board's discussions related mainly to the application of a control model to structured entities, often referred to as special purpose entities or vehicles (including structured investment vehicles). The project also addresses disclosure, including information about both consolidated entities and non-consolidated entities (or so-called 'off balance sheet entities'). The Board is working towards the publication of an exposure draft on the project in the next few months.

Broad stakeholder engagement:

693

Number of comment letters received during 2007.

(iii) Derecognition of assets and liabilities

Current concern about off balance sheet vehicles is matched by worries over 'sales' of assets and whether institutions have actually released themselves from the risks of ownership. The derecognition of assets and liabilities is a subject on which IFRSs and US GAAP have not converged, and where the existing guidance requires ongoing repairs and maintenance because of internal inconsistencies and complexity.

We plan to publish in 2008 an exposure draft dealing with the subject of derecognition in general. At present the board's guidance on the subject deals solely with financial instruments.

(iv) Fair value measurement guidance

The IASB added a project on fair value measurement to its agenda in September 2005. Through this project the IASB aims to replace the patchwork of fair value measurement guidance in IFRSs with a single source of guidance that would apply whenever a standard requires or permits an asset, liability or equity instrument to be measured at a current, market-based amount (generically called 'fair value' in existing IFRSs). This project aims only to develop a framework for *how* to measure current, market-based values. It will not introduce or require any new fair value measurements.

As a first step, the IASB published a discussion paper in November 2006. The discussion paper was based on the FASB's standard SFAS 157 *Fair Value Measurements* so that the Board could determine whether the methodology proposed by the FASB is suitable for use worldwide, whether any of the principles in SFAS 157 should be re-examined and whether further guidance is necessary, particularly in emerging economies or where markets are not as deep and liquid as that of the US.

The IASB received 136 comment letters on the discussion paper. One of the most prevalent responses to the discussion paper was that an exit (selling) price measurement basis, as required by SFAS 157, might not be appropriate for every item currently measured at fair value in IFRSs. Therefore, one of the first steps in considering the responses has been to review whether the Board or its predecessor intended each use of the term 'fair value' in existing standards to be an exit price or an entry (buying) price. When completed, the results of the review will help the Board decide whether to retain the term 'fair value'

or to redefine it or replace it with a more specific term that is appropriate in the particular circumstances. The Board expects to publish in 2009 an exposure draft of an IFRS on fair value measurement guidance and hopes to issue the ensuing standard in 2011.

(v) Financial instruments with characteristics of equity
The Board's project on financial instruments with characteristics of equity is a modified joint project on which the FASB has taken the lead for the research stage. The objective is to improve financial reporting for financial instruments that have both equity and non-equity characteristics.

In 2007 the FASB published a Preliminary Views document *Financial Instruments with Characteristics of Equity.* To obtain the views of the Board's constituents on the FASB's research, the Board published in February 2008 a discussion paper that contains an IASB Invitation to Comment on the FASB document.

(vi) Financial instruments – reducing complexity
One of the most controversial of the standards the Board inherited from its predecessor body is IAS 39 *Financial Instruments: Recognition and Measurement,* issued some two years before the Board came into existence. Much of the criticism has centred on the apparent complexity of the pronouncement. Over the past two years, the IASB has been discussing how requirements for reporting financial instruments can be improved and simplified. The Board expects to publish a discussion paper in 2008 that addresses measurement-related problems and hedge accounting. The paper will solicit views on how the Board should proceed to develop standards on financial instruments that are principle-based and less complex than today's requirements.

(vii) Financial statement presentation
This important project is considering the presentation and display of information in financial statements, including the classification and display of line items and the aggregation of line items into subtotals and totals. Several other projects, such as financial instruments and post-employment benefits, will involve discussions about presentation. Accordingly, the eventual outcome of this project will take account of views expressed on related subjects.

> "The subprime and liquidity crisis that began in 2007 and concerns about off balance sheet items have heightened interest in the Board's existing projects on consolidation and derecognition."

During 2007 the Board discussed the application of working principles and developed a 'working' format for the financial statements (the sections and categories for each financial statement). The boards expect to publish a discussion document in the second quarter of 2008.

(viii) Intangible assets
The MoU committed the boards to considering research work undertaken by staff of the Australian Accounting Standards Board (AASB) and deciding whether to add a project on intangible assets to their agendas. In December the Board decided not to add a project to its active agenda.

The Board acknowledged the importance of addressing the accounting issues relating to intangible assets, noting concerns about current requirements, which lead to inconsistent treatments for different types of intangible assets depending on how they arise. However, the Board noted that properly addressing

"Acceptance of IFRSs in 2007 was not limited to the United States. The SEC's decision follows those announced by other leading countries in 2007 to establish time lines for the acceptance of IFRSs in their domestic markets or accelerate convergence of national standards with IFRSs."

the accounting for intangible assets would impose a large demand on the Board's limited resources. Instead, the Board expressed a desire that the research work begun as part of the development of the agenda proposal should continue until the Board could consider it again for addition to the active agenda. We have suggested to the AASB that its work should be continued under the aegis of the meetings of the national standard-setters. The intention would be to assess whether a discussion paper could be produced that would be acceptable to both the national standard-setters and the IASB, thereby increasing the likelihood that any resulting standard would be broadly welcomed.

(ix) Leases

The leases project was added to the Board's agenda in 2006 as a joint project with the FASB. During 2007 the advisory working group, comprising experts with a wide variety of different leasing expertise, and the boards have considered the different rights and obligations that arise in simple leasing transactions and analysed how these met the definitions of asset and liability in the *Framework.* More complex leases involving options to extend and options to terminate the lease were also considered. Board members and staff met industry representatives.

The boards have directed the staff to develop a model for accounting for all types of lease under which the lessee recognises an asset representing the right to use the leased item for the period of the lease, with a corresponding liability to pay rentals over the lease term. The boards expect that, once this model is more fully developed, they will set out possible ways forward in a discussion document for public comment.

(x) Post-employment benefits

During 2007 the Board discussed:

- the recognition and presentation of defined benefit plans and
- the definition and measurement of a new category of promise, called contribution-based promises.

The Board formed a preliminary view that all gains and losses in a defined benefit plan should be recognised immediately. In other words, the deferred recognition options in IAS 19 *Employee Benefits* should be removed. The Board has developed three possible approaches to the presentation of the gains and losses. It has also developed a new category of promises for benefits that can be expressed in terms of a known contribution and an asset-based or index-based return. The Board's preliminary view is that the liability for such promises should be measured at fair value, assuming the benefits do not change. The Board published a discussion paper in March 2008.

(xi) Revenue recognition

During 2007 the Board and the FASB continued to develop two models for revenue recognition as a basis for public discussion. In these models, revenue arises from recognising and measuring changes in the assets and liabilities that arise directly from binding arrangements with customers. The two models differ in their approach to measuring the assets and liabilities. In one model the assets and liabilities are measured at their current exit price, and in the other they are measured by reference to the amount of customer consideration specified in the contract.

The boards are working towards publishing a discussion paper in mid-2008. The paper will explain and illustrate what an asset and liability model would entail for revenue recognition. It will also compare and illustrate the effects of the two measurement approaches. Responses to the paper will then assist the boards in developing a single common standard on revenue recognition that can be applied to a wide range of industries.

> "In working towards an exposure draft, the Board will benefit from the input of its Insurance Working Group."

Other major projects

Insurance contracts
The Board published a discussion paper *Preliminary Views on Insurance Contracts* in May 2007, for comment by 16 November 2007. The Board received over 150 responses. The Board began to review the responses in February 2008. In 2007 the FASB issued an invitation to comment, seeking comments on whether the FASB should add to its agenda a joint project on insurance contracts, to be conducted with the IASB. The FASB plans to make an agenda decision in the third quarter of 2008.

In working towards an exposure draft, the Board will benefit from the input of its Insurance Working Group. To broaden the user involvement, two additional users joined the working group in 2008.

Liabilities – amendments to IAS 37
During 2007 the Board discussed its proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in response to views received during round-table meetings held at the end of 2006. It developed further guidance to help preparers of financial statements identify when a liability exists and apply the proposals for measuring liabilities. It plans to discuss views on other aspects of the proposals during 2008 and to issue a revised standard in 2009.

Small and medium-sized entities (IFRS for SMEs)
During 2007 the Board reached several milestones in the project to develop a simplified IFRS expressly designed to meet the financial reporting needs of smaller entities. We published an exposure draft in February 2007. The principles in the exposure draft are based on full IFRSs modified on the basis of the needs of users of SME financial statements and cost-benefit considerations.

Along with the exposure draft we published a complete set of illustrative financial statements and a disclosure checklist, as well as the usual basis for conclusions. We translated the exposure draft into five languages (a first for the IASB). We also published a staff summary of the exposure draft to help our constituents get an initial understanding of our proposals, and undertook a comprehensive outreach programme – including around 50 public round-table meetings and seminars after the exposure draft was published – to explain the proposals and get direct feedback. We completed a field test programme that involved 115 small

"We completed a field test programme that involved 115 small companies (many with fewer than 50 employees) from 20 countries restating their most recent financial statements using the proposed IFRS for SMEs."

companies (many with fewer than 50 employees) from 20 countries restating their most recent financial statements using the proposed IFRS for SMEs and reporting to us on their experience using the proposed standard.

The Board received 162 comment letters on the exposure draft – many from parts of the world and types of companies and accounting firms that do not normally provide comment letters to the IASB.

The staff have begun analysing the comments on the exposure draft and the results of the field tests. The Board will consider the comments during 2008, with a goal of issuing the IFRS for SMEs by the end of the year. Meanwhile, the IASC Foundation Education staff are developing a comprehensive training programme about the IFRS for SMEs that will be released in multiple languages and made available in electronic form without charge.

Short-term convergence projects

In addition to the eleven major projects mentioned earlier, the MoU also committed the IASB and the FASB to accelerating the programme for convergence of IFRSs and US GAAP by aligning major principles in selected standards. Each board is examining four of its standards – two others will be tackled jointly. Progress on the standards being re-examined by the Board is outlined below.

(i) Borrowing costs
In March 2007 the Board issued a revised IAS 23 *Borrowing Costs*. The revised standard eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Instead, such borrowing costs are capitalised.

(ii) Government grants
The Board has deferred work on the revision of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* pending the completion of other project work, including that on the revision of IAS 37 described above.

(iii) Joint arrangements
The Board published an exposure draft, ED 9 *Joint Arrangements,* in September 2007. The project was initially undertaken to reduce differences between IFRSs and US GAAP. However, ED 9 heralds the first major revision of IAS 31 since its creation in 1990 and the Board decided that further improvements should be made to the accounting for joint assets, joint operations and joint ventures (collectively referred to as joint arrangements). The exposure draft proposes that a party to a joint arrangement should account for its interest in that joint arrangement on the basis of its rights and obligations that arise from the agreement between the parties to the joint arrangement. If the agreement gives a party rights to assets or obligations for financing or expenses, it should recognise those rights and

"In addition to the eleven major projects mentioned earlier, the MoU also committed the IASB and the FASB to accelerating the programme for convergence of IFRSs and US GAAP."

obligations in accordance with applicable IFRSs. If a party has rights only to the outcome of an economic activity carried on by a group of assets and liabilities that is subject to joint control, it should recognise the interest in the economic activity using the equity method. Proportionate consolidation would no longer be permitted.

The comment period for the exposure draft ended in January 2008. The Board expects to redeliberate ED 9 in 2008 in the light of the comments received.

(iv) Segments

Following extensive discussions, which revealed that the US and Canadian standards were considered superior by both preparers and users of financial statements, the Board issued in 2006 IFRS 8 *Operating Segments,* which is largely based on the North American standards.

(v) Income taxes

The objective of this joint project is to achieve convergence of IAS 12 *Income Taxes* and the US standard SFAS 109 *Accounting for Income Taxes.* Both standards are based on the same underlying model, the temporary difference approach. However, different exceptions to that model in the standards mean that tax has been one of the largest and most common reconciling items for preparers of IFRS financial statements that are registered in the US. The boards' aim has been to achieve convergence through the elimination of exceptions to the temporary difference approach, resulting in higher quality, more principled standards for both boards.

In 2007 the IASB and the FASB made their final decisions on the proposed amendments to the standards and started drafting the exposure drafts. The boards expect to publish the exposure drafts in 2008.

(vi) Impairment

IFRSs and US GAAP have quite different impairment requirements. Owing to staff shortages, this project has not yet started but it will do so once resources become available.

Maintenance of existing standards

Annual improvements process

In 2007 the Board published the first exposure draft of minor, non-urgent amendments to standards under its annual improvements procedure. The deadline for comments was 11 January 2008. We expect the responses to help us in refining the scope and process for future improvements projects. After considering the responses the Board plans to issue the amendments in final form in the second quarter of 2008. In 2007 the Board also began considering the next cycle of proposed improvements.

"In 2007 the Board published the first exposure draft of minor, non-urgent amendments to standards under its annual improvements procedure."

IFRS 1 amendments

In some jurisdictions, the accounting for investments in subsidiaries in the separate financial statements of a parent using national accounting standards has not been in accordance with IAS 27 *Consolidated and Separate Financial Statements.* In those circumstances, it is difficult for entities on transition to IFRSs to restate the cost of such investments in compliance with IAS 27. In January 2007 the Board published an exposure draft of amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* proposing to allow a parent to use a deemed cost on transition to IFRSs.

After considering respondents' comments, the Board revised its proposals, and published a second exposure draft in December 2007. The exposure draft also addresses separate enquiries received about the measurement of cost in the separate financial statements of a newly formed parent entity.

IFRS 2 amendments

In February 2006 the Board published an exposure draft of proposals to amend IFRS 2 *Share-based Payment* to clarify the definition of vesting conditions and provide guidance on the accounting treatment of cancellations by parties other than the entity. In 2007 the Board considered the comments received and decided to issue the amendments in final form. These were published in January 2008.

In December 2007 the Board published an exposure draft of proposed amendments to IFRS 2 and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions.* The exposure draft is open for comment until 17 March 2008. The proposed amendments respond to requests for guidance on how an entity that receives goods or services from its suppliers (including employees) should account for arrangements linking payment to the share price of the entity or its parent.

IAS 24 *Related Party Disclosures*

In February 2007 the IASB published an exposure draft of proposed amendments to IAS 24 – *State-controlled Entities and the Definition of a Related Party.* The comment period ended in May 2007.

The exposure draft proposed an exemption from the disclosure requirements in IAS 24 for transactions between state-controlled entities. This is an important practical issue in some jurisdictions where many entities are under state control. The exposure draft also proposed to streamline the definition of a related party. The Board expects to issue the amendments in the second quarter of 2008.

IAS 32 – puttable financial instruments and obligations arising on liquidation

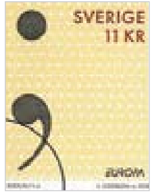
In response to requests from entities around the world in 2006 the Board published an exposure draft of proposed amendments to IAS 32 *Financial Instruments: Presentation* relating to the classification of some puttable instruments and some instruments with obligations arising on liquidation. Under the proposals, particular financial instruments that meet the definition of a financial liability would be classified as equity. During 2007 the Board deliberated issues raised by respondents and held two public round-table meetings. The Board issued the amendments *Puttable Financial Instruments and Obligations Arising on Liquidation* in February 2008.

IAS 33 *Earnings per Share*

The Board and the FASB have a short-term convergence project on the calculation of earnings per share (EPS). The objective is to converge on a simplified EPS calculation. In 2007, the Board concluded its initial deliberations, and the staff are preparing an exposure draft that the Board expects to publish in the second quarter of 2008.

IAS 39 – exposures qualifying for hedge accounting

In September 2007 the Board published an exposure draft of proposed amendments to IAS 39 *Financial Instruments: Recognition and Measurement.*



The proposals respond to requests for guidance on what can be designated as hedged financial items for hedge accounting purposes. The aim of the proposals is to clarify the Board's original intention, not to change existing practice significantly. The comment deadline was 11 January 2008.

> "In December 2007 the Board reactivated work on emissions trading schemes and in response to requests from external parties added two new projects to its agenda."

New projects added to agenda

In December 2007 the Board reactivated work on emissions trading schemes and in response to requests from external parties added two new projects to its agenda. These projects (described below) will be progressed as staff resources and available Board time allow, without detracting from the convergence work under the MoU with the FASB.

Emissions trading schemes
A project to develop comprehensive guidance on the accounting for emissions trading schemes will be conducted jointly with the FASB and will address the diversity in practice that has arisen in the absence of authoritative guidance. The topic is of growing importance, with various schemes being implemented or discussed around the world.

Common control
Practice diverges on the accounting for business combinations between entities or businesses under common control. A new project will examine the definition of common control and the methods of accounting for business combinations between entities or businesses under common control in the acquirer's consolidated and separate financial statements. Similar issues arise with respect to the accounting for demergers, such as the spin-off of a subsidiary or business. Therefore, the project scope also includes demergers.

Management commentary
In December 2007 the Board agreed to progress the management commentary project with the aim of producing a guidance document based on the discussion paper *Management Commentary* published in October 2005. The guidance document will describe useful approaches to management commentary but will not be part of the suite of mandatory provisions of IFRSs.

IFRIC activities

In 2007 two Interpretations were issued – IFRIC 13 *Customer Loyalty Programmes* and IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* Two draft Interpretations were published – D21 *Real Estate Sales* and D22 *Hedging of a Net Investment in a Foreign Operation.* The comment periods on both draft Interpretations ended in October and comments are being considered by the IFRIC.

> "Communication is, of course, a two-way process. People wish to know what the Board has to say; equally, the Board is keen to hear and discuss the views of those implementing IFRSs."

115

Number of companies field testing the SME standard.

At the end of 2007 three other projects were on the IFRIC's agenda. One, IAS 39 – *Derecognition of Financial Assets,* has been on the agenda for some time. The other two issues were added to the agenda during the year and draft Interpretations were published in January 2008 – D23 *Distributions of Non-cash Assets to Owners* and D24 *Customer Contributions.*

During 2007 15 issues were removed from, or not added to, the IFRIC's agenda because they were referred to the IASB or were resolved by a completed Board project. Eleven of those issues are being addressed in the annual improvements project. In addition to items referred to the Board, a further 12 issues were considered but not added to the IFRIC's agenda.

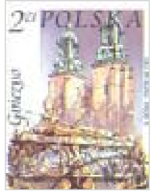
At the end of 2007 two issues had been submitted that had not been discussed by the IFRIC. They were considered at the January 2008 IFRIC meeting.

One World Trust report

We welcomed the independent assessment by the One World Trust of our transparency and stakeholder engagement. Transparency and accountability have been cornerstones of the standard-setting process since we started in 2001.

Spreading the word

It is part of the Board's mission to promote the use of the standards it has developed, and it is a measure of success that so many countries are interested in adopting our standards or, having made that decision, are now implementing them. As that number rises, so does the demand for direct contact with the Board and its staff. This is a wholly understandable demand to which the Board is keen to respond as helpfully as we can. However, given the limits on our resources, we have to develop effective new ways of communicating with interested parties. For example, the Board hosts an annual meeting with standard-setters from around the world at which particular issues are discussed and the problems standard-setters are having in adopting international standards are communicated to the Board. Additionally, various Board members visit particular regions to discuss with standard-setters from all over the region their particular issues and problems. In 2007 Board members and staff spent time in China and Japan in conjunction with the convergence project, and in a meeting with standard-setters from those two countries and Korea. Other areas targeted were Central and South America, and South and South East Asia. Countries



that already adopt international standards are not forgotten and Board members visit not only their country of origin but also neighbouring ones, thereby ensuring that a large number of countries in six continents are visited during the course of a year.

Communication is, of course, a two-way process. People wish to know what the Board has to say; equally, the Board is keen to hear and discuss the views of those implementing IFRSs. During the year we continued a series of roadshows around the world to explain the Board's work programme, to hear the views of preparers and users and to encourage them to participate in our processes. In 2007 the roadshows were held in Australia, Austria, Hong Kong and India. In addition we arranged through the Foundation two conferences, one in May in Switzerland and another in August in Singapore. Those events focused on the main projects on the IASB's active agenda, and included presentations by leading users and preparers and those regulating global accounting standards. The conferences were attended by over 600 people from over 60 countries. Furthermore, in response to comments from those attending past conferences, five sessions for smaller groups with a special interest in a particular aspect of financial reporting were held in Zurich and Singapore immediately before the conferences. During 2007, leading IFRS conferences were arranged in association with the IASC Foundation in Beijing (Chinese language), Berlin (German language), London (English language) and Moscow (Russian language).

Standards Advisory Council

The Standards Advisory Council, under the able leadership of Nelson Carvalho, met three times in 2007. The Council's foremost role is to provide broad strategic advice on the Board's agenda priorities and insight into the possible benefits and costs of particular proposals. The composition of the Council reflects this mandate, comprising leading practitioners from 23 countries and seven international organisations, including senior financial officers of corporations, investment analysts with knowledge of accounting issues, partners of audit firms with experience in auditing companies that apply IFRSs, executives of international financial and development organisations, and other senior representatives of public interest bodies.

> "The Council's foremost role is to provide broad strategic advice on the Board's agenda priorities and insight into the possible benefits and costs of particular proposals."

Changes in membership

Three Board members retired in June. Hans-Georg Bruns decided to step down for personal reasons, principally his desire to spend more time with his family. The second terms of appointment of Anthony Cope and Tricia O'Malley expired. As I reported last year, Wei-Guo Zhang, the Chief Accountant and Director General of the Department of International Affairs of the China Securities Regulatory Commission, was appointed to fill one of the resulting vacancies. Another of the vacancies was filled by the reappointment of John Smith, a part-time member of the Board since 2002, as a full-time member for five years. In his place, Stephen Cooper, Managing Director and Head of the Global Valuation Group of UBS Investment Bank, was appointed as a part-time member in August 2007 for the five years ending on 30 June 2012. At the end of 2007 one Board seat remained unfilled.

In June four members of the IFRIC retired – Jeannot Blanchet (Managing Director, Morgan Stanley, France), Domingo Marchese (Partner, Marchese Grandi Meson & Asoc, Argentina), Mary Tokar (Seconded Partner, KPMG IFRG Limited) and Ian Wright (Global IFRS Leader, PricewaterhouseCoopers, UK). In their place the Trustees appointed Guido Fladt (Partner, PricewaterhouseCoopers, Germany; and Member, Global PwC Corporate Reporting Task Force), Bernd Hacker (Head of Standard Setter Liaison and Financial Instruments Accounting Policies, Siemens, Germany), Darrel Scott (Head of Group Finance, FirstRand Banking Group, South Africa) and Andrew Vials (Partner in charge of the UK firm's Department of Professional Practice, Accounting and Reporting, KPMG).

Staffing

As befits an international organisation, the IASB attracts staff from all over the world, some on temporary assignments to London, others for a longer time before moving on to new challenges, usually in their native land. There is therefore a steady turnover of people working at Cannon Street, and the numbers are growing as the organisation expands to resource its increasing workload.

Departures

There were several departures of technical staff. Allan Cook, the first IFRIC Co-ordinator, retired after a highly distinguished career including almost 25 years' involvement in international standard-setting. Allan will be sorely missed not only by all of us at the IASB but also by many colleagues elsewhere around the world.

Three project managers moved back into the business world: Sarah Broad and Jeff Singleton took posts in the UK and Caron Hughes returned to her former employer with a posting to Hong Kong. Two visiting fellows left on completing their secondments: Jon Nelson returned to PricewaterhouseCoopers in his native US and Lara Pope returned to practice with Ernst & Young. Another visiting fellow, Michael Stewart, returned to PricewaterhouseCoopers (UK) on completing a short-term secondment. Academic fellow Richard Barker concluded his part-time attachment to the IASB and returned to full-time academic activities in the University of Cambridge. Luis Medina, technical associate, left to take up a business post in Switzerland.

There were also some departures among the operational and support staff. Vivien Caines (UK) (editorial assistant) left for family reasons, Dionne Ower (UK) (accounts assistant) left to take up a new finance position at a pharmaceutical firm, and Andy Cutler (UK) (IT application specialist) left to join an insurance company. Josef Macdonald (New Zealand), the inaugural XBRL practice fellow, completed his secondment and rejoined Ernst & Young Global.

Arrivals

We welcomed a large number of new colleagues during the year, some of whom (marked * below) are on secondment. Many were recruited to strengthen the technical staff, as follows:

- Dora Cheung (Hong Kong, PRC)*
- Liz Figgie (US)
- Michelle Fisher (UK)*
- Sandra Hack (Germany)
- Mariela Isern (Spain)
- Jane Jordan (UK)

- Yung Wook Kim (Korea)*
- Christian Kusi-Yeboah (Ghana)
- Amy Schmidt (US)
- Hans van der Veen (Netherlands)
- Henri Venter (South Africa)
- Carol Wong (Hong Kong, PRC).

I was delighted that Tricia O'Malley, having retired as a Board member, agreed to stay on in a staff capacity as IFRIC Co-ordinator. This means that the organisation will continue to benefit from her immense experience and knowledge of standard-setting.

There were also changes among the operational staff. A senior appointment in April was that of Olivier Servais (Belgium) as Team Leader of the IASC Foundation's XBRL activities. In October he was joined by two XBRL project managers – Holger Obst (Germany) and Maciej Piechocki (Poland). In April Wole Akanbi (UK) arrived as an IT application specialist to support our online publications services. In June Sonja Horn (Germany) joined as Communications Adviser. In July Tracey Clarey (UK) joined the organisation's finance team as an accounts assistant. In September Luciana Abrantes (Brazil) joined as a temporary associate in the organisation's education initiative. In October Jennifer Wilson (UK) joined as a project administrator. In November Matt Brady (UK) joined as Web Manager/Editor to assume responsibility for the organisation's Website, Intranet and other online activities. Two editorial assistants were appointed: Nicola Collins (UK) in February and Jacqueline Jeacock (UK) in November. In December Tamara Oyre (South Africa) joined as Assistant Corporate Secretary, reporting to the Director of Operations.

The continuing infusion of new backgrounds and experience brought by staff who are drawn from so many parts of the world enriches our work and the life of the organisation. Once again I am happy to pay tribute to the contributions made by all our staff. Apart from their exceptional skills and expertise, our technical staff bring a strong commitment to the ideals that underlie the IASB's mission. The efforts of the Board and the technical staff would, of course, count for little without the support of the administrative and operational staff who are a vital part of the process of getting the Board's message across. My fellow Board members and I admire and respect our staff colleagues' technical and professional excellence, and enjoy their cheerful enthusiasm and stamina. For us, working with so many talented people from so many strands of experience remains a stimulating and challenging experience, and I am grateful to all of our staff, including those who have now moved on to other fields.

"The continuing infusion of new backgrounds and experience brought by staff who are drawn from so many parts of the world enriches our work and the life of the organisation."

"The Board also greatly appreciates the help and advice we receive from the many volunteers and well-wishers who give so generously of their time and expertise in the Board's working groups."

Acknowledgements

As this report shows, this is an organisation that depends on the contributions and efforts of many people and many other organisations. I cannot mention them all but I should like first of all to record my special thanks to Phil Laskawy as Chairman of the Trustees until December 2007, and to the other Trustees for their support, encouragement and advice, and in particular their resolute determination to protect the integrity and independence of this organisation.

Shouldering the heavy workload faced by the Board is possible only with the willing co-operation of my colleagues on the Board and our dedicated and highly skilled staff. I am grateful for the cheerful comradeship of the Board members. We are also very fortunate to have such able technical support from our staff, so well led by the Director of Technical Activities, Liz Hickey, and the Director of Research, Wayne Upton, backed by the senior project managers, Peter Clark, Gavin Francis, Anne McGeachin, Henry Rees and Alan Teixeira.

Thanks must also go to the members of the IFRIC and the Standards Advisory Council and their two Chairmen, respectively Board member Bob Garnett and Nelson Carvalho. The Board also greatly appreciates the help and advice we receive from the many volunteers and well-wishers who give so generously of their time and expertise in the Board's working groups.

Our finished products are carefully translated into more reasonable English by our Editorial Director, Michael Butcher, and his team, and our Director of Communications, Mark Byatt, has made an impressive start in getting our messages across to stakeholders and opinion-formers alike. The whole organisation continues to benefit from the astute and efficient guidance of the Director of Operations, Tom Seidenstein.

Lastly, my thanks go to our long-suffering secretariat – Ailie Burlinson, Fiona Dunne, Kathryn McArdle, Katherine Maybin, Jill Robinson, Janet Smy and Jennifer Wilson – for their patience and dedicated support.

Sir David Tweedie
Chairman, IASB

Trustees of the IASC Foundation

Current Trustees

A Gerrit Zalm, Chairman
Former Deputy Prime Minister and Finance Minister, The Netherlands
Netherlands
Term expires: December 2010

B Philip A Laskawy, Vice Chairman
Retired Chairman, Ernst & Young International
United States
Term expires: December 2009

C Marvin KT Cheung
Retired Chairman, KPMG Hong Kong SAR
People's Republic of China
Term expires: December 2008

D Bertrand Collomb
Chairman Emeritus, Lafarge; Chairman, Association Française des Entreprises Privées
France
Term expires: December 2009

E Samuel A DiPiazza, Jr
Chief Executive Officer, PricewaterhouseCoopers
United States
Term expires: December 2008

F Oscar Fanjul
Vice Chairman, Omega Capital; Former Chairman, Founder and CEO, Repsol, SA
Spain
Term expires: December 2010

G Tsuguoki (Aki) Fujinuma
Immediate Past Chairman and President, Japanese Institute of Certified Public Accountants
Japan
Term expires: December 2010

Robert Glauber
Retired Chairman and Chief Executive Officer, NASD (the private sector regulator of the US securities market); former Under Secretary of the Treasury for Finance
United States
Term expires: December 2008

H Max Dietrich Kley
Member of the Supervisory Board, BASF AG
Germany
Term expires: December 2008

All images were taken at the IASC Foundation Trustees' meeting on 17 March 2008

Continued overleaf

I Alicja Kornasiewicz
Member of the Board, CA IB Corporate Finance Gmbh, Vienna; CEO and Chairman, CA IB Group, Poland
Poland
Term expires: December 2010

J Zhongli Liu
President, Chinese Institute of Certified Public Accountants; former Minister, Ministry of Finance
People's Republic of China
Term expires: December 2008

K Jeffrey Lucy
Chairman, Financial Reporting Council
Australia
Term expires: December 2010

L Pedro Malan
Chairman, Unibanco; former Finance Minister of Brazil; former President, Central Bank of Brazil
Brazil
Term expires: December 2010

M Sir Bryan Nicholson GBE
Former Chairman, Financial Reporting Council
United Kingdom
Term expires: December 2008

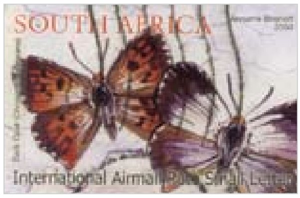
N T V Mohandas Pai
Director of Human Resources and Member of the Board, Infosys Technologies Limited; Chairman, Infosys BPO Limited
India
Term expires: December 2008

David L Shedlarz
Former Vice Chairman, Pfizer Inc
United States
Term expires: December 2008

O David Sidwell
Former Chief Financial Officer, Morgan Stanley; Director, MSCI Inc; Director, UBS
United States
Term expires: December 2009

P Luigi Spaventa
Former Chairman, Commissione nazionale per le società e la borsa (Consob); former Minister of the Budget
Italy
Term expires: December 2009

Q Paul Tellier
Former President and CEO, Bombardier and CN; former Clerk of the Privy Council and Secretary of the Cabinet
Canada
Term expires: December 2009



R **Junichi Ujiie**
Chairman, Nomura Holdings Inc
Japan
Term expires: December 2008

S **Jeff van Rooyen**
Chief Executive, Uranus Investment Holdings; former Vice Chairman, Executive Committee, International Organization of Securities Commissions (IOSCO); former CEO, South African Financial Services Board
South Africa
Term expires: December 2009

T **Antonio Vegezzi**
Former President and Director, Capital International
Switzerland
Term expires: December 2010

Trustees retiring at December 2007

Richard G Humphry
Former CEO, Australian Stock Exchange; Director, HSBC Australia, United Group Ltd, MBF
Australia

Malcolm D Knight
General Manager, Bank for International Settlements
International Organisation

William McDonough
Vice Chairman and Special Advisor to the Chairman, Merrill Lynch and Company
United States

Kees Storm
Former Chairman, AEGON; Chairman of the Supervisory Board, KLM; Member of the Supervisory Board AEGON and PON Holdings; member of the boards, Baxter International, InBev and Unilever
The Netherlands

Roberto Teixeira da Costa
First Chairman, Brazilian Securities and Exchange Commission – CVM
Brazil

Members of the International Accounting Standards Board

A **Sir David Tweedie, Chairman**
Appointed: January 2001
Term expires: 30 June 2011

Thomas E Jones, Vice Chairman
Appointed: January 2001
Term expires: 30 June 2009

B **Mary E Barth**
Appointed: January 2001
Term expires: 30 June 2009

C **Stephen Cooper**
Appointed: July 2007
Term expires: 30 June 2012

D **Philippe Danjou**
Appointed: November 2006
Term expires: 30 June 2011

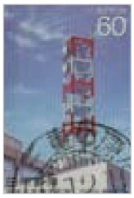
E **Jan Engström**
Appointed: May 2004
Term expires: 30 June 2009

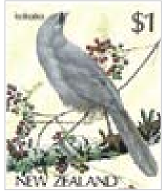
F **Robert P Garnett**
Appointed: January 2001
Term expires: 30 June 2010

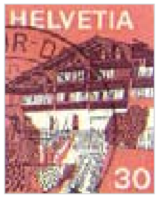
G **Gilbert Gélard**
Appointed: January 2001
Term expires: 30 June 2010

All images were taken at the IASB Board meeting on 15 April 2008

"The year 2007 was a milestone year on a number of fronts."







H James J Leisenring
Appointed: January 2001
Term expires: 30 June 2010

I Warren J McGregor
Appointed: January 2001
Term expires: 30 June 2011

J John T Smith
Appointed: September 2002
Term expires: 30 June 2012

K Tatsumi Yamada
Appointed: January 2001
Term expires: 30 June 2011

L Wei-Guo Zhang
Appointed: July 2007
Term expires: 30 June 2012

"Shouldering the heavy workload faced by the Board is possible only with the willing co-operation of my colleagues on the Board and our dedicated and highly skilled staff."
Sir David Tweedie

Members of the International Financial Reporting Interpretations Committee

Name and affiliation	Term expires
Philip D Ameen Vice President and Controller, General Electric Company *United States*	30 June 2008
Michael E Bradbury Professor of Accounting, Massey University *New Zealand*	30 June 2008
Claudio De Conto General Manager, Administration and Control, Pirelli S.p.A *Italy*	30 June 2008
Guido Fladt Partner, PricewaterhouseCoopers *Germany*	30 June 2010
Bernd Hacker Head of Standard Setter Liaison and Financial Instruments Accounting Policies, Siemens *Germany*	30 June 2010
Sara York Kenny Principal Accounting Advisor, International Finance Corporation *International Organisation*	30 June 2009
Jean-Louis Lebrun Partner, Mazars & Guérard *France*	30 June 2008
Takatsugu Ochi General Manager, Planning and Administration Department, Sumitomo Corporation *Japan*	30 June 2009
Ruth Picker Partner – Technical Consulting Group, Global IFRS, Ernst & Young *Australia*	30 June 2009

Name and affiliation	Term expires
Darrel Scott Head of Group Finance, FirstRand Banking Group *South Africa*	30 June 2010
Andrew Vials Partner, KPMG LLP *United Kingdom*	30 June 2010
Ken Wild Partner, Deloitte & Touche *United Kingdom*	30 June 2009

New members – Appointed March 2008

Name and affiliation	Term expires
Margaret M (Peggy) Smyth Vice President, Controller, United Technologies Corp *United States*	30 June 2011
Scott Taub Managing Director, Financial Reporting Advisors, LLC, United States, and former Acting Chief Accountant and Deputy Chief Accountant, US Securities and Exchange Commission *United States*	30 June 2011

Non-voting Chairman

Robert P Garnett

Member, International Accounting Standards Board

Official Observers

European Commission

The International Organization of Securities Commissions

Members of the Trustee Appointments Advisory Group

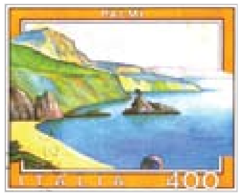
Name and affiliation
Paul Volcker, Chairman Former Chairman of the Trustees and former Chairman of the Board of Governors, US Federal Reserve System
Jane Diplock Chairman of the Executive Committee, International Organization of Securities Commissions
Mario Draghi Chairman, Financial Stability Forum
Donald Kaberuka President, African Development Bank
Haruhiko Kuroda President, Asian Development Bank
Luis Alberto Moreno President, Inter-American Development Bank
Dominique Strauss-Kahn Managing Director and Chairman of the Executive Board, International Monetary Fund
Jean-Claude Trichet President, European Central Bank
Robert B Zoellick President, World Bank

Members of the Standards Advisory Council

At December 2007

Country	Name and affiliation
CHAIRMAN	
Brazil	Nelson Carvalho Professor, University of São Paulo, Brazil; Financial consultant and litigation expert; Member of various boards and heads of various Audit Committees
AFRICA	
Cameroon	Benoît Antoine Atangana Onana Former President, Institute of Chartered Accountants of Cameroon; Senior Partner and General Manager, African Consulting Enterprise; Member of National Education Private Sector
South Africa	Christine Ramon Executive Director and Chief Financial Officer, Sasol Limited
ASIA-OCEANIA	
Australia	Judith Downes Chief Financial Officer and Chief Operating Officer, Institutional Division, Australia and New Zealand Banking Group Limited
India	Shailesh V Haribhakti Managing Partner and CEO, Haribhakti & Co.
China	P M Kam Group Financial Controller, Jardine Matheson Ltd, Hong Kong SAR, People's Republic of China
Malaysia	Professor Rifaat Ahmed Abdel Karim Secretary-General, Islamic Financial Services Board
Singapore	Danny Teoh Leong Kay Managing Partner, KPMG

Country	Name and affiliation
Korea	Suk Jun Lee Vice President, Corporates Overseas Management Team, Samsung Electronics Co., Limited
Japan	Dr Eiko Tsujiyama Professor of Accounting, Waseda University, Faculty of Commerce & Business
China	Wang Jun Vice Minister, Ministry of Finance, People's Republic of China; Secretary-General, China Accounting Standards Committee, People's Republic of China
Japan	Yoshiki Yagi Board Director and Chairman of Audit Committee, Hitachi Limited
EUROPE	
Spain	José Antonio Alvarez Chief Financial Officer, Grupo Santander, Ciudad Grupo Santander
United Kingdom	Sarah Deans Executive Director/Head of Accounting and Valuation Research, JP Morgan
Italy	Anna Di Michele Executive Director, Investment Solutions and Advisory, UBS (Italia) SpA
Italy	Alberto Giussani Member of the Italian National Standard Setter; Professor of Accountancy, Catholic University of Milan
European Union Institution	Mauro Grande Director, Financial Stability and Supervision, European Central Bank



Country	Name and affiliation
Norway	Ingebret Hisdal Managing Partner, Deloitte
United Kingdom	David Lindsell Retired partner, Ernst & Young, United Kingdom; Member of Supervisory Board of European Financial Reporting Advisory Group (EFRAG) and of UK Financial Reporting Review Panel
France	Patrice Marteau Chairman, ACTEO; Senior Adviser, ABN AMRO Bank
Germany	Heinz-Joachim Neubürger Chairman of the Executive Board, Accounting Standards Committee of Germany (GASC)
Germany	Jochen Pape Retired Partner, PricewaterhouseCoopers, Germany; since 1 July 2007, Vice-President, German Accounting Standards Board
Russia	Vladimir Preobrazhenskiy Chief Financial Officer, Siberian Coal Energy Company
European Union Institution	Richard Thorpe Member, Financial Reporting Committee, Committee of European Securities Regulators (CESR-fin); Head of Capital Adequacy Policy and Accounting and Auditing Sector Leader, UK Financial Services Authority
Switzerland	Will Widdowson Head of Group Accounting Policy/Member of the Group Managing Board, UBS AG

Country	Name and affiliation
LATIN AMERICA	
Brazil	Nelson Carvalho
Argentina	Hector Estruga Retired Partner and former Professional Practice Director for South America, Ernst & Young; Consultant to E&Y; Member, CENCYA (Special Audit and Accounting Standards Committee); Argentine Federation of Professional Council in Economic Sciences
Mexico	Hector J Vela Dib Corporate Financing and Banking Relations Director for Spain, France, Italy, Middle East, Asia & Africa, CEMEX
MIDDLE EAST	
Israel	Adir Inbar Professional Leader and Senior Audit Partner, Deloitte Touche Tohmatsu
NORTH AMERICA	
United States	Frank Brod CVP Finance and Administration and Chief Accounting Officer, Microsoft Corporation
United States	Michael Paul Cangemi President and CEO, Financial Executives International
United States	Trevor Harris Vice-Chairman of Client Services and Managing Director, Morgan Stanley
United States	Dane Mott Managing Director, Equity Research – Accounting & Taxation, Bear, Stearns & Co Inc

Name and affiliation
INTERNATIONAL ORGANISATIONS
Basel Committee of Banking Supervisors
Sylvie Matherat Director of Financial Stability, Bank of France; Chair of the Accounting Task Force, Basel Committee
International Association of Insurance Supervisors
Henning Göbel Deputy Director, Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority), Germany
International Federation of Accountants
Ian Ball Chief Executive Officer
International Monetary Fund
Kenneth Sullivan Senior Financial Sector Expert
International Organization of Securities Commissions
John Carchrae Chief Accountant, Ontario Securities Commission
Christoph Ernst Head of the Accounting and Auditing Law Division of the Federal Ministry of Justice, Germany

Name and affiliation
United Nations Conference for Trade and Development
Yoseph Asmelash Head, Accounting Unit, Division on Investment and Enterprise
World Bank
Charles A McDonough Deputy Controller & Chief Accountant
OBSERVERS
European Commission
Financial Services Agency of Japan
US Securities and Exchange Commission

Report of the independent auditors

We have audited the financial statements of the International Accounting Standards Committee Foundation (IASC Foundation) for the year ended 31 December 2007 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The Trustees are responsible for the preparation of the financial statements in accordance with applicable law, the IASC Foundation's Constitution and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with International Financial Reporting Standards.

Our report has been prepared pursuant to the requirements of our engagement letter to you dated 18 January 2008 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our engagement letter to you dated 18 January 2008 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the IASC Foundation'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 financial position of the IASC Foundation as at 31 December 2007 and of its financial performance and its cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants, London
25 March 2008

The financial statements were approved by the Trustees of the IASC Foundation on 25 March 2008. The audit report contained within these financial statements is reproduced above. The financial statements are reproduced on pages 40 to 53.

Statement of comprehensive income

	Notes	2007 £'000	2006 Restated £'000
REVENUES			
Contributions	3	11,277	10,382
Revenues from publications and related activities	4	4,992	5,058
Interest income		595	568
Other income		61	25
		16,925	16,033
EXPENSES			
Direct cost of sales from publications & related activities	4	(2,623)	(2,922)
Salaries, wages and benefits	5	(9,738)	(9,177)
Trustee fees	6	(496)	(436)
Cost of meetings and associated travel	7	(2,117)	(1,907)
Accommodation	8	(1,320)	(1,238)
Fundraising expense	3	(175)	(72)
Other costs	9	(667)	(717)
Changes in fair value of financial instruments	10	(436)	159
Foreign exchange gains		436	3
TOTAL EXPENSES		(17,136)	(16,307)
Loss before tax		(211)	(274)
Taxation	11	(1)	(37)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		(212)	(311)
Net assets at beginning of year		11,043	11,354
Total comprehensive income for the year net of tax		(212)	(311)
NET ASSETS AT END OF YEAR		**10,831**	**11,043**

Year ended 31 December 2007

The notes on pages 43 to 53 form part of these financial statements.

Statement of financial position

	Notes	2007 £'000	2006 £'000	2005 £'000
ASSETS				
Non-current assets				
Leasehold property, leasehold improvements, furniture and equipment	8	428	318	430
Other financial assets	10	4,055	5,974	5,101
		4,483	6,292	5,531
Current assets				
Derivative financial assets	10	-	295	-
Accrued interest receivable on bonds		91	81	78
Other financial assets	10	3,148	1,152	1,438
Cash at bank and in hand	10	4,752	5,371	6,104
Contributions receivable	3	1,053	305	180
Taxation recoverable		-	-	26
Inventory	12	78	64	67
Trade receivables	10	539	282	280
Prepaid expenses		442	378	361
		10,103	7,928	8,534
TOTAL ASSETS		14,586	14,220	14,065
LIABILITIES				
Non-current liabilities				
Derivative financial liabilities	10	78	-	-
Contributions received in advance				128
Reinstatement provision	8	202	-	-
Rent incentives	8	144	50	119
Publications revenue received in advance		-	5	-
		424	55	247
Current liabilities				
Derivative financial liabilities	10	139	-	-
Contributions received in advance	3	386	365	192
Rent incentives	8	50	69	70
Publications revenue received in advance		989	748	740
Trade creditors		668	418	-
Accrued expenses and sundry creditors		1,099	1,522	1,462
		3,331	3,122	2,464
TOTAL LIABILITIES		3,755	3,177	2,711
NET ASSETS		**10,831**	**11,043**	**11,354**

At 31 December 2007

The financial statements on pages 40 to 53 were approved by the Trustees of the IASC Foundation on 25 March 2008 and authorised for issue on 25 March 2008.

Statement of cash flows

	Notes	£'000	2007 £'000	£'000	2006 £'000
OPERATING ACTIVITIES					
Contributions		10,550		10,302	
Cash receipts from customers		5,074		5,006	
Other receipts		30		31	
Cash paid to suppliers and employees:					
Operating expenses		(13,724)		(12,270)	
Publications direct expenses		(2,610)		(2,934)	
Trustees' costs		(698)		(573)	
NET CASH FROM OPERATING ACTIVITIES			(1,378)		(438)
INVESTING ACTIVITIES					
Purchase of bonds		(1,158)		(2,196)	
Matured bonds receipts		1,145		1,415	
Interest received		622		624	
Purchase of furniture and equipment		(141)		(96)	
Leasehold property and leasehold improvements		(103)		(20)	
Portfolio management fee		(15)		(14)	
Foreign exchange gains		529		217	
NET CASH INCREASES/(DECREASE) FROM INVESTING ACTIVITIES			852		(70)
Taxation			-		(11)
Effects of exchange rate changes on cash and cash equivalents			(93)		(214)
NET DECREASE IN CASH AND CASH EQUIVALENTS			(619)		(733)
Cash and cash equivalents at beginning of period			5,371		6,104
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10		4,752		5,371

Year ended 31 December 2007

The notes on pages 43 to 53 form part of these financial statements.

Notes to the financial statements

1. Legal form, objectives and restructuring

Incorporated in the State of Delaware, US, on 6 February 2001, the International Accounting Standards Committee Foundation (IASC Foundation) is a not-for-profit corporation based in London.

The objectives of the IASC Foundation 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;

(c) in fulfilling the objectives associated with (a) and (b) to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies; and

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

The governance of the IASC Foundation rests with the Trustees, who provide oversight of the International Accounting Standards Board (IASB) and its related bodies, the International Financial Reporting Interpretations Committee (IFRIC) and the Standards Advisory Council. The Trustees appoint the members of the IASB and related bodies, exercise governance oversight over the IASB and other committees, and are responsible for the financial and legal arrangements of the organisation. The IASB, however, has the responsibility for setting accounting standards in accordance with its mandate and the due process set out in the IASC Foundation Constitution.

2. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). Any changes in accounting policies are explained where these have occurred. The IASC Foundation elected to adopt the revision to IAS 1 *Presentation of Financial Statements,* published in September 2007. This has resulted in the presentation of a Statement of Comprehensive Income in place of the Statement of Activities. At the same time the grouping of several line items classified within the expenses were changed to better reflect the management reporting in place. Other than the change in presentation, none of the above changes has had any impact on the previously reported results.

(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 accruals basis.

Publications direct cost of sales comprises 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 IASB meetings, associated costs of the IASC Foundation's management team related to the publications programme, the costs of the editorial function involved in 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 IFRIC, the IASB members and technical staff.

(d) Inventory

Inventories are stated at the lower of cost and net realisable value.

(e) Depreciation

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 33 $^1/_3$ per cent of cost.

(f) 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. Exchange differences are recorded in the Statement of Comprehensive Income within expenses.

(g) 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.

(h) Financial assets
In the years up to and including 2005, investments in bonds were classified as available for sale and recognised at fair value, and the corresponding gains or losses were included in the Statement of Comprehensive Income.

The IASC Foundation elected to adopt the June 2005 amendments to *IAS 39 Financial Instruments: Recognition and Measurement* concerning the fair value option from 1 January 2006. The accounting treatment is the following: investments in bonds are recognised at fair value, and the corresponding gains or losses are included within expenses in the Statement of Comprehensive Income.

(i) Derivative financial assets
Derivative financial instruments (zero-cost collars in 2006 and 2007, and forwards in 2008 and 2009) are used to hedge the exposure to foreign exchange risks from US dollar contributions. The IASC Foundation uses the US dollar contributions to finance a portion of sterling obligations arising from activities. In accordance with its financial risk management policy, the IASC Foundation does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised at fair value. The corresponding gains or losses are included in the Statement of Comprehensive Income.

(j) Provisions and contingencies
Provisions are recognised when the following three conditions are met – the IASC Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of the provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognised but are disclosed unless the possibility of settlement is considered remote. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

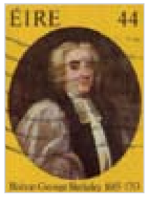
(k) Critical accounting estimates and judgements
The IASC Foundation makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Estimates have been made in the areas of contributions, the reinstatement provision for property leased by the IASC Foundation, and corporation tax. These estimates are disclosed within the notes that follow.

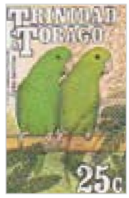
(l) Standards issued, not yet adopted
The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 January 2007, except where early adoption of new standards has been noted.

The IASB and IFRIC have issued the following standards and interpretations which are effective for reporting periods beginning after the date of these financial statements:

Standards (Effective date in parentheses):

- IAS 23 – Revised – *Borrowing Costs* (1 January 2009)
- IFRS 2 – Amendment – *Share-based Payment: Vesting Conditions and Cancellations* (1 January 2009)
- IFRS 8 – *Operating Segments* (1 January 2009)
- IAS 27 – Amendment – *Consolidated and Separate Financial Statements* (1 July 2009)
- IFRS 3 – Revised – *Business Combinations* (1 July 2009)
- Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – *Puttable Financial Instruments and Obligations Arising on Liquidation* (1 January 2009).





IFRIC Interpretations (Effective date in parentheses):

- IFRIC 11 – *IFRS 2 – Group and Treasury Share Transactions* (1 January 2008)
- IFRIC 12 – *Service Concession Arrangements* (1 January 2008)
- IFRIC 13 – *Customer Loyalty Programmes* (1 July 2008)
- IFRIC 14 – *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (1 January 2008).

The adoption of these standards, interpretations and amendments will not significantly affect the Foundation's results or financial position, either because these standards and interpretations do not cover the IASC Foundation in their scope, or the IASC Foundation does not have transactions covered by these standards or interpretations.

3. Contributions

The Trustees finance the large majority of the organisation's operation through contributions from private organisations. Contributions are committed on a multi-year basis.

Funding in 2006 and 2007

When the first round of funding expired in 2005, the Trustees succeeded in renewing and recruiting new sources of funding for 2006 and 2007. In 2007 the IASC Foundation received funds of £11,276,000 in contributions (2006: £10,381,000).

Contributions received before 31 December 2007, amounting to £386,000 (2006: £365,000, 2005: £192,000), which were specifically designated by the contributors for use by the IASC Foundation in subsequent years, were recognised as current and non-current liabilities, depending upon the designation of the contributor. Contributions received after 31 December 2007, amounting to a total of £1,053,000 (2006: £305,000, 2005: £180,000) and specifically designated by the contributors for use by the IASC Foundation in 2007, were recognised as revenues at the end of 2007.

Funding for the longer term

In 2006 the Trustees initiated a plan aimed at creating a broad-based, sustainable financing mechanism for 2008 and beyond. The goal is to raise at least £16 million to cover the annual operating costs for the IASB and to provide a mechanism for matching increases in inflation. The Trustees established the following principles for the new financing regime.

- **Broad-based:** The funding system will expand the base of support to include major participants in the world's capital markets in order to ensure diversification of resources.
- **Compelling:** The system will carry sufficient pressure to make free riding difficult.
- **Open-ended:** The financing will not be contingent on any particular action that would infringe on the independence of the organisation.
- **Country-specific:** The funding burden should be shared by the major economies of the world on a proportionate basis, using Gross Domestic Product as the determining factor of measurement. Each country should meet its designated target in a manner consistent with the principles above.

As at 25 February 2008, the IASC Foundation has £13 million in multi-year, annual commitments from country-specific regimes towards a target of £16 million. Using the IASC Foundation's Website, the Trustees are informing interested parties of their progress on establishing broad-based funding regimes throughout the world.

To assist in their work on the longer-term financing regime, the Trustees engaged a fundraising consulting firm to assist in the establishment of the new fundraising system in the United States. The total cost for the fundraising consultancy in 2007 was £174,000 (2006: £72,000).

4. Publications and related activities

(a) Publications and related revenue

	2007 £'000	2006 £'000
Sales of subscriptions and publications	3,808	3,997
Royalties and permission fees	1,013	936
Other related activities	171	125
	4,992	5,058

(b) Publications and related costs

	2007 £'000	2006 £'000
Salaries	1,263	1,121
Costs of goods sold	377	371
Other costs	983	1,430
	2,623	2,922

5. Employees

The IASC Foundation had an average of 91 employees (including IASB members and interns) during 2007 (2006: 76).

	2007		2006	
	£'000	£'000	£'000	£'000
Staff costs, including IASB members' salaries and other costs	9,126		8,647	
Contributions to defined contribution pension plans	456		394	
Recruitment and relocation costs	156		136	
		9,738		9,177
Direct staff costs included in publications direct expenses				
Salaries and other costs	1,171		1,031	
Contributions to defined contribution pension plans	73		70	
Recruitment and relocation costs	19		20	
		1,263		1,121
TOTAL		11,001		10,298

In order to account for the fact that a number of the IASB members work outside the United Kingdom, the Trustees agree upon an annual compensation budget for each of the IASB members inclusive of all employer contributions for tax and benefits. In 2007, the total cost for the 14 IASB members' salaries, including all applicable employment taxes and benefits, recruitment expenses, and relocation cost of new IASB members, amounted to £4,735,000, (2006: £4,650,000). In March 2007 the Trustees approved the following compensation budgets: £461,152 per year for the IASB Chairman (2006: £439,192), £374,690 per year for full-time members (2006: £356,847) and £187,345 per year for part-time members (2006: £178,423).

6. Trustee fees

The Trustees are remunerated by annual and meeting fees and are reimbursed for the expenses of their travel on IASC Foundation business. In 2007 the annual fee for the Chairman of the Trustees was £25,000 (2006: £75,000). The annual fee for the other Trustees was £12,500 (2006: £12,500). Trustees received a fee of £1,000 (2006: £1,000) for each formal meeting of the Trustees or of any of the Trustees' committees. The Trustees approved a fee of £75,000 per year for Gerrit Zalm when he assumes the chairmanship on 1 January 2008.

7. Cost of meetings and associated travel

MEETING TYPE	2007 £'000	2006 £'000
IASB	732	757
Trustees	250	198
International Financial Reporting Interpretations Committee and Standards Advisory Council	274	260
Committees	495	405
Travel for consultation	366	287
TOTAL	2,117	1,907

8. Property

Leases

The IASC Foundation entered into an operating lease in 2001 for office accommodation on the first floor at 30 Cannon Street, London and in December 2004 acquired an assignment of an operating lease for the east wing of the ground floor of 30 Cannon Street. Both leases expire in September 2008. In December 2006 a new lease was signed for the west wing on the ground floor through 2018 and new terms were agreed on the existing space at 30 Cannon Street for a period beginning September 2008 and ending in September 2018.

On assigning the lease for the east wing of the ground floor at 30 Cannon Street the outgoing tenant paid the IASC Foundation £172,000 covering a nine-month rent-free period and, for the remaining term of the lease thereafter, a £9 per square foot differential between the rent payable under the lease and the lower current rent agreed with the IASC Foundation. The £172,000 is recognised as a reduction in accommodation expense over the remaining term of the original lease to September 2008. In leasing the west wing of the ground floor of 30 Cannon Street, the IASC Foundation negotiated a two-year rent-free period. At the balance sheet date the balance outstanding with regard to all the leases was £194,000 (2006: £119,000, 2005: £189,000), of which £144,000 (2006: £50,000, 2005: £119,000) is a non-current liability and £50,000 (2006: £69,000, 2005: £70,000) is a current liability.

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

Future payments on the leases, excluding service charges and property rates (currently about 39 per cent of the lease payments), are due as follows:

OPERATING LEASES THAT EXPIRE	2007 £'000	2006 £'000	2005 £'000
Less than one year	498	665	665
In two to five years	2,734	2,255	1,164
Later than five years	4,472	5,242	-
TOTAL	7,704	8,362	1,829

Reinstatement provision

The IASC Foundation has also made the following provision for reinstatement, which had previously been shown as part of accrued expenses in the Statement of Financial Position. This now appear as a separate line item in the Statement of Financial Position. This provision covers the cost of reinstating the building at the end of the leases in September 2018.

	£'000
Balance at 1 January 2005, 2006 and 2007	-
Reclassification of provision previously reported in current liabilities	106
Provision made in year	96
BALANCE AT 31 DECEMBER 2007	202

Leasehold property, leasehold improvements, furniture and equipment

2007	Leasehold property £'000	Leasehold improvements £'000	Furniture, equipment £'000	2007 TOTAL £'000
COST				
At 1 January 2007	65	662	654	1,381
Additions	-	176	141	317
Disposals/Retirements	(65)	-	(24)	(89)
At 31 December 2007	-	838	771	1,609
DEPRECIATION				
At 1 January 2007	65	484	514	1,063
Charge for the year		114	93	207
Disposals/Retirements	(65)	-	(24)	(89)
At 31 December 2007	-	598	583	1,181
NET CARRYING AMOUNT AT 31 DECEMBER 2007	-	**240**	**188**	**428**

2006	Leasehold property £'000	Leasehold improvements £'000	Furniture, equipment £'000	2006 TOTAL £'000
COST				
At 1 January 2006	65	642	621	1,328
Additions	-	20	86	106
Disposals	-	-	(53)	(53)
At 31 December 2006	65	662	654	1,381
DEPRECIATION				
At 1 January 2006	36	386	476	898
Charge for the year	29	98	91	218
Disposals	-	-	(53)	(89)
At 31 December 2006	65	484	514	1,063
NET CARRYING AMOUNT AT 31 DECEMBER 2006	-	**178**	**140**	**318**

2005	Leasehold property £'000	Leasehold improvements £'000	Furniture, equipment £'000	2005 TOTAL £'000
COST				
At 1 January 2005	63	642	547	1,252
Additions	2	-	80	82
Disposals	-	-	(6)	(6)
At 31 December 2005	65	642	621	1,328
DEPRECIATION				
At 1 January 2005	26	293	376	685
Charge for the year	10	93	112	215
Disposals	-	-	(2)	(2)
At 31 December 2005	36	386	476	898
NET CARRYING AMOUNT AT 31 DECEMBER 2005	**29**	**256**	**145**	**430**

Capital commitments
At the balance sheet date the IASC Foundation had no capital commitments (2006: £200,000, 2005: nil).

9. Other costs

	2007 £'000	2006 £'000
Communication	231	263
Audit, legal and taxation fees	95	166
External relations	182	121
Others	169	167
TOTAL	667	717

10. Financial instruments

Due to its financing model largely based on contributions in a number of currencies, the IASC Foundation is exposed to a number of financial risks. The IASC Foundation also faces risks associated with its use of financial instruments. This note describes the organisation's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the organisation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments
The principal financial instruments used by the IASC Foundation, from which financial instrument risk arises, are as follows:

- Other financial assets and liabilities (classified at 'fair value through profit and loss')
- Trade receivables (classified as 'loans and receivables')
- Cash and cash equivalents (classified as 'available for sale')
- Trade creditors (classified at 'amortised cost')
- Derivative financial assets/liabilities (classified at 'fair value through profit and loss').

General objectives, policies and procedures related to financial risks
The Trustees are responsible for determining the organisation's risk management objectives and policies. Whilst retaining ultimate responsibility for them, the Trustees delegate the authority for implementation of the objectives and policies to the Director of Operations, overseen by the Audit Committee.

The overall objective of the Trustees is to set policies that seek to reduce risk as far as possible without unduly affecting the IASC Foundation's operating effectiveness and flexibility.

As explained earlier in the notes, the IASC Foundation's major revenue source arises from its contributions program. There are two major risks associated with this reliance on contributions:

- **currency risk**, because pledges are committed in US dollars and euro, as well as sterling
- **liquidity risk**, because pledges may not be honoured in a timely fashion.

Currency risk

The expenditures in the IASC Foundation's operating budget are largely in sterling, whereas the organisation has received contribution pledges in US dollars and euro to cover the cost of operating the IASB and other overhead costs, on an ongoing basis. Whilst the Trustees have reduced the US dollar exposure through their ongoing efforts and hedging strategy below, some exchange rate risk remains. As a result the Trustees have implemented a strategy to mitigate the foreign exchange fluctuations and timing risks connected with the voluntary contributions.

To address the exchange rate risk, the Trustees adopted a collar strategy for 2006 and 2007 to provide a fixed sterling equivalent from the US dollar contributions (2006: £5,304,000, 2007: £5,254,000). For 2008 and 2009, the Trustees have purchased a series of forward contracts to fix a sterling equivalent (2008: £5,850,000; 2009: £3,293,000).

Below are the fair values of these contracts:

	Fair value 2007 £'000	Fair value 2006 £'000	Fair value 2005 £'000
DERIVATIVES	(217)	295	-
Zero-cost collars expiring at the end of each calendar quarter of 2007	-	295	-
Forward contracts expiring at the end of each calendar quarter of 2008	(139)	-	-
Forward contracts expiring at the end of each calendar quarter of 2009	(78)	-	-

Liquidity and credit risk associated with cash and bond holdings

The IASC Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. All financial liabilities at the year-end are due within one year. The IASC Foundation has no bank borrowings.

Cash holdings: As a general rule, management seeks to keep an amount in cash equal to the upcoming quarter's expenditure. Cash at bank to pay for general operations in London is held by Barclays Bank PLC, London. One US dollar account used to pay most US dollar expenses is held by Barclays Bank PLC in New York. Cash is held either on current or on short-term deposits at floating rates of interest determined by the relevant bank's prevailing base rate. Part of the cash at bank is held in euro and US dollar accounts.

Other deposits and balances required from time to time covering forward contract obligations and for investment purposes are held in accounts with Barclays Bank (Suisse) SA in Geneva. All decisions regarding Geneva accounts are managed by the Trustees of the IASC Foundation. Deposits made through Barclays Bank (Suisse) are in the form of fiduciary deposits, where the IASC Foundation is exposed to the credit risk of the counterparty bank. The IASC Foundation relies upon the credit analysis of its financial advisers at Barclays Bank (Suisse) to determine the creditworthiness of counterparties.

Bond holdings: The Trustees are also conscious of the need to protect against the risks associated with voluntary contributions in future years. The Trustees have invested the IASC Foundation's surplus funds in 10 sterling-denominated, fixed rate 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 four years in order to provide a steady cash flow upon their maturity to replace donor commitments if these are not renewed on a timely basis.

Using a monthly report from Barclays Bank (Suisse) on its investments in bonds, the IASC Foundation manages its investment portfolio on a fair value basis. Information is provided on that basis to the Trustees and key management personnel. The Foundation's accounting policy, described in note 2(h), reflects this practice.

The maturity of the bonds, all of which are exposed to fair value interest rate risk, is as follows:

	2007 £'000	2006 £'000	2005 £'000	Effective interest rates 2007 %	2006 %	2005 %
CASH AND BANK DEPOSITS DUE AFTER 7 DAYS						
Bank sterling deposits due after 7 days, within one month in Geneva	2,979	3,342	5,400	6.02	5.10	4.55
Bank dollar deposits due after 90 days in Geneva	560	-	-	4.87	-	-
CASH AND BANK DEPOSITS DUE ON DEMAND						
Sterling (cash) in London	6	5	3	0.50	0.50	0.50
Sterling in London	487	992	81	0.95	0.95	0.95
Euro in London	162	44	346	-	-	
US dollars in London	5	43	21	0.75	0.75	0.75
US dollars in New York	550	920	254	-	-	-
Sterling and US dollars in Geneva	3	25	(1)	-	-	-
	4,752	5,371	6,104			

	Notional amount 2007 £'000	Fair value 2007 £'000	Notional amount 2006 £'000	Fair value 2006 %	Notional amount 2005 %	Fair value 2005 %
In less than one year	3,154	3,148	1,145	1,152	1,415	1,438
In more than one year but not more than two years	1,354	1,354	3,148	3,145	1,145	1,181
In more than two years but not more than three years	1,502	1,516	1,335	1,343	3,148	3,226
In more than three years but not more than four years	1,185	1,185	1,504	1,486	670	694
	7,195	7,203	7,132	7,126	6,378	6,539

Credit risk associated with trade receivables
In addition to its contributions programme, the IASC Foundation supplements its funding through publications and related activities. While the IASC Foundation recognises revenue on sales of its publications and subscriptions from non-institutional customers when cash is received, the IASC Foundation does have a number of licensing and royalty arrangements with major publishers and accounting bodies. In those licensing and royalty arrangements, some credit risk arises.

Because the organisation works largely with major publishers and accounting bodies, which have longstanding relationships, the IASC Foundation does not credit check customers before it enters into business with them. There is no history of insolvencies of the IASC Foundation's publications partners, and the IASC Foundation has never suffered bad debt from one of these types of customers.

The IASC Foundation has no significant exposure to large or key customers with the largest customer exceeding 3 per cent of the IASC Foundation's revenues. At the year-end the maximum exposure to credit risk is the trade receivable balance.

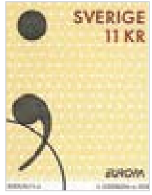
The Director of Operations receives a monthly report detailing all customer accounts where the debt is more than 90 days old. This is analysed into accounts on contractually agreed terms beyond 90 days and overdue accounts. Where the customer has commercial issues with the product or service invoiced the overdue accounts are allocated to the appropriate member of the senior management team on the face of the report for resolution. The circumstances of the individual customer and issues relating to the products supplied and the work being undertaken for them are discussed at board meetings.

	Not yet due £'000	Overdue but not impaired £'000	Total £'000
Trade receivables at 31 December 2007	425	114	539
Trade receivables at 31 December 2006	282	-	282
Trade receivables at 31 December 2005	280	-	280

Where overdue accounts are still unpaid six months or more after invoice date the amount is provided for as a bad debt provision in the accounts. At 31 December 2007 the amount provided for was £nil (2006: £nil). These provisions are released if the amounts due are subsequently collected or a credit note is issued to the customer.

The movements on the bad debt provision during the year are summarised below:

	2007 £'000	2006 £'000	2005 £'000
At 1 January	-	-	-
Increase in provisions	-	-	-
Recovered amounts reversed	(-)	(-)	(-)
AT 31 DECEMBER	-	-	-



11. Corporation tax

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

In 2006 the IASC Foundation reached an agreement with the UK authorities regarding the status of its publications and related revenues. Under the agreement, corporation tax is calculated on the basis of a notional trade, whereby the IASC Foundation is required to extrapolate the earnings of its publication and related activities and interest and investment income associated with those activities. Under the calculations to determine the UK corporation tax liability, the IASC Foundation offsets publications revenue with both direct and indirect costs of developing the published materials

The taxation charge of the notional trade, 2007, related primarily to interest earned and hedging activities attributed to the notional trade, and is estimated to be £1,140 (2006: £36,686 relates to the year 2001, 2005 nil). As a result of the agreement with the UK authorities no tax is payable for the years 2002-2006 as the notional trade calculation produced a loss. At the end of 2007 the IASC Foundation is carrying forward a loss for UK tax purposes of £768,000 (2006: £659,000, 2005: £573,000), which is not able to be offset against the interest income. Consistent with IAS 12, the IASC Foundation does not recognise this loss as a deferred tax asset, because of the uncertainty connected to utilising this in the future.

12. Inventory

Inventory of publications amounted to £78,000 (2006: £64,000, 2005: £67,000).

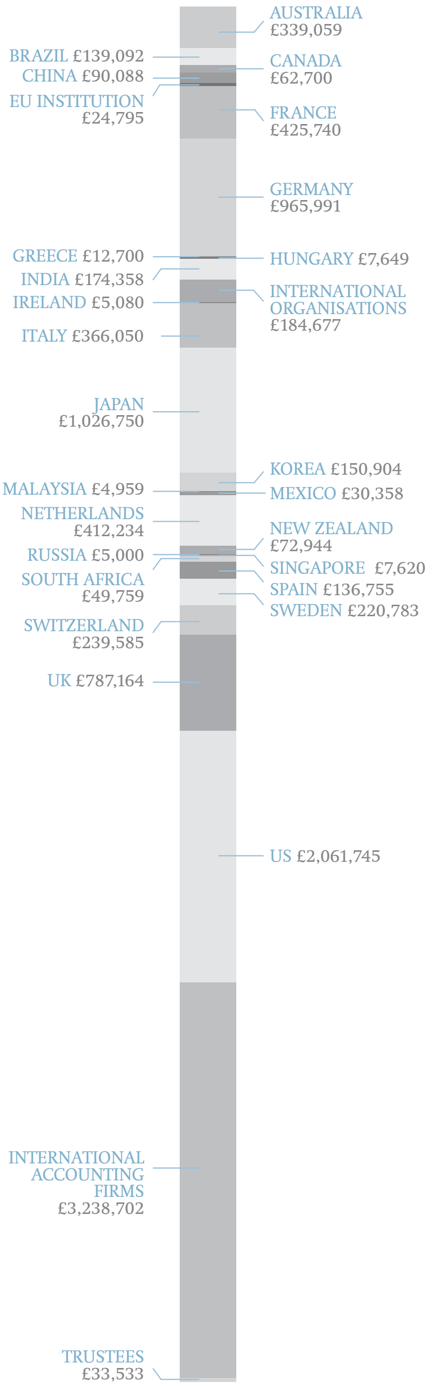
13. Approval of financial statements

These financial statements were approved by the Trustees of the IASC Foundation on 25 March 2008 and authorised for issue on 25 March 2008.

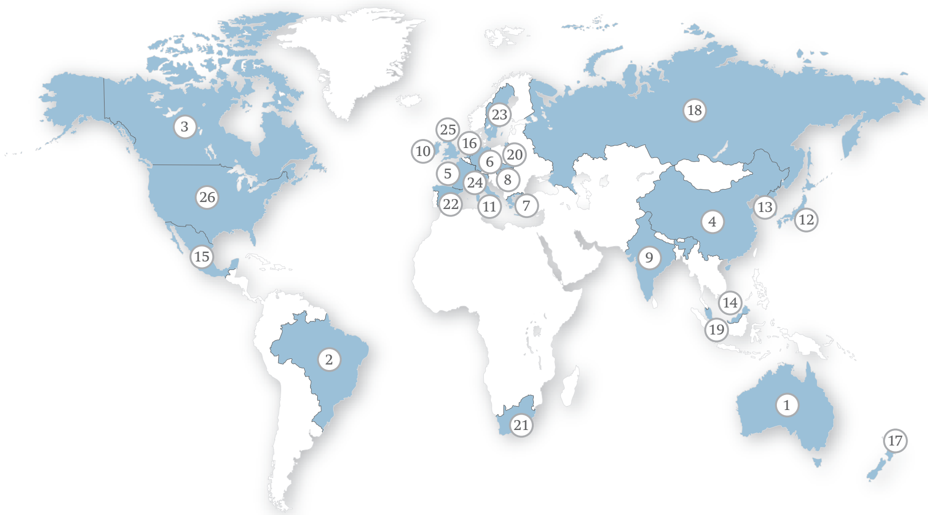
2007 financial supporters

Chart showing country donation in £s

TOTAL £11,276,774

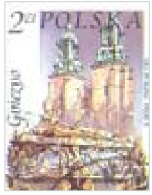


World map showing donations by country



Key:

1 Australia
2 Brazil
3 Canada
4 China
5 France
6 Germany
7 Greece
8 Hungary
9 India
10 Ireland
11 Italy
12 Japan
13 Korea
14 Malaysia
15 Mexico
16 Netherlands
17 New Zealand
18 Russia
19 Singapore
20 Slovakia
21 South Africa
22 Spain
23 Sweden
24 Switzerland
25 UK
26 US



2007 Financial Supporters (amounts translated into sterling on date received)

Country	Organisation	
Cumulative amount raised by country appears below country name		
AUSTRALIA £339,059		
Less than £25,000	Reserve Bank of Australia	
£50,000 +	Financial Reporting Council[1]	
BRAZIL £139,092		
Less than £25,000	Brazil Telecom	Companhia Vale do Rio Doce
	Bolsa de Valores de Sao Paulo	Petroleo Brasileiro S.A.
£25,000 – £50,000	Banco Bradesco	Banco Itau
CANADA £62,700		
Less than £25,000	Bank of Canada	Office of the Superintendent for Financial Industry Canada
£25,000 – £50,000	Royal Bank of Canada	
CHINA £90,088		
Less than £25,000	Hong Kong Monetary Authority	
	Ministry of Finance, PRC	
£50,000 +	Hong Kong Exchanges and Clearing	
EU INSTITUTION £24,795	European Central Bank	
FRANCE[2] £425,740	*Through ACTEO*	
Less than £25,000	Air Liquide	Crédit Agricole SA
	Air France-KLM	Dexia
	Alcatel	EDF SA
	Arcelor	Euler Hermes
	AXA	Fimalac
	Banque de la Réunion	France Telecom
	BNP Paribas	Gaz de France
	Bouygues	Imerys
	Bull	Lafarge
	Cap Gemini	Lagardere
	Carrefour	L'Oréal
	Cesar Sa	LVMH
	Ciments Français	M6 – Metropole Television
	CNP Assurances	Michelin

Country	Organisation	
FRANCE[2] continued	Natexis Banques Populaires	Sanofi Aventis
	Nexans	Société Générale
	Opera Construction	Suez
	Orpar	Thales
	Pernod Ricard	Ublicis
	PPR	Valeo
	PSA Peugeot Citröen	Vallourec
	Renault	Vinci
	Rubis	Vivendi Universal
	Safran	Wendel Investissement
	Saint-Gobain	
GERMANY[3] £965,991	*Through Deutsches Rechnungslegungs Standards Committee e.V*	
Less than £25,000	Continental AG	Deutsche Post
	Deutsche Bundesbank	Henkel KGaA
£25,000 – £50,000	BASF AG	E.ON AG
	Bayer AG	SAP AG
	Bayerische Motorenwerke AG	
£50,000 +	Allianz SE	Dresdner Bank AG
	DaimlerChrysler	Münchener Rückversicherungs -Gesellschaft
	Deutsche Bank AG	RWE AG
	Deutsche Telekom AG	Siemens AG
GREECE £12,700	Bank of Greece	
HUNGARY £7,649	National Bank of Hungary	
INDIA £174,358		
Less than £25,000	Bharti Airtel	Reserve Bank of India
	Larsen & Toubro Limited	Satyam Computer Services
	Reliance Industries Limited	Tata & Sons
£25,000 – £50,000	Grasim Industries Ltd	Infosys
	ICICI	
INTERNATIONAL ORGANISATIONS £184,677		
£25,000 – £50,000	International Bank for Reconstruction and Development (World Bank)	International Monetary Fund
£50,000 +	Bank for International Settlements	

[1] The Australian Financial Reporting Council made its contribution on behalf of private and public sector stakeholders in the Australian accounting standard-setter process.

[2] All contributions from French companies and associations were channelled through *Association pour la participation des enterprises françaises à l'harmonisation comptable internaionale* (ACTEO).

[3] All contributions from German companies and associations were channelled through *Deutshes Rechnungslegungs Standards Committee (DRSC) e. V.*

Country	Organisation	
IRELAND £5,080	Central Bank of Ireland	
ITALY £366,050		
£50,000 +	Associazione Bancaria Italiana (ABI)[5]	Banca d'Italia
	Emittenti Titoli S.p.A.[6]	
JAPAN £1,026,750	*Private company support through Council for Better Corporate Citizenship*	
£0 – £50,000	Bank of Japan	
	Air Water Inc.	Fuji Television Network, Inc.
	Aisin Aw Co., Ltd.	Fuji Xerox Co., Ltd.
	Aisin Seiki Co., Ltd.	Fujitsu Limited
	All Nippon Airways Co., Ltd.	General Insurance Association of Japan
	Alps Electric Co., Ltd.	Grant Thornton Taiyo Asg
	Asahi Glass Co., Ltd.	Hamamatsu Photonics K.K.
	Asahi Kasei Corporation	Hanwa Co., Ltd.
	BDO Sanyu & Co.	Haseko Corporation
	Bridgestone Corporation	Hewlett-Packard Japan, Ltd.
	Calbee Foods Co., Ltd.	Hino Motors, Ltd.
	Canon Electronics Inc.	Hirose Electric Co., Ltd.
	Canon Inc.	Hitachi Cable, Ltd.
	Canon Marketing Japan Inc.	Hitachi Capital Corp.
	Central Japan Railway Company	Hitachi Chemical Co., Ltd.
	Chugai Pharmaceutical Co., Ltd.	Hitachi High-Technologies Corporation
	Citizen Holdings Co., Ltd.	Hitachi Kokusai Electric Inc.
	Cosmo Oil Company, Limited	Hitachi Metals, Ltd.
	Daihatsu Motor Co., Ltd.	Hitachi Software Engineering Co., Ltd.
	Daiichi Sankyo Company, Limited.	Hitachi Transport System, Ltd.
	Deloitte Touche Tohmatsu	Hitachi, Ltd.
	Denso Corporation	Honda Motor Co., Ltd.
	Dentsu Inc.	Idemitsu Kosan Co., Ltd.
	East Japan Railway Company	IHI Corporation
	Efi K.K.	Inpex Holdings Inc.
	Ernst & Young Shinnihon	Itochu Corporation
	Familymart Co., Ltd.	Itochu Enex Co., Ltd.
	Fanuc Ltd.	Itochu Techno-Solutions Corporation
	Fuji Electric Holdings Co., Ltd.	Ito-Yokado Co., Ltd.

Country	Organisation	
JAPAN continued	Iwatani International Corporation	Meitec Corporation
	Japan Airlines Corporation	Mitsubishi Chemical Corporation
	Japan Securities Dealers Association	Mitsubishi Corporation
	Japan Steel Works, Ltd.	Mitsubishi Electric Corporation
	Japan Tobacco Inc.	Mitsubishi Heavy Industries, Ltd.
	Japanese Institute of Certified Public Accountants	Mitsui & Co., Ltd.
	JGC Corporation	Mitsui Fudosan Co., Ltd.
	JS Group Corporation	Mitsui O.S.K. Lines, Ltd.
	JTEKT Corporation	Mitsui Sugar Co., Ltd.
	Kaga Electronics Co., Ltd.	Morinaga & Co., Ltd.
	Kajima Corporation	Nagase & Co., Ltd.
	Kaneka Corporation	Nankai Electric Railway Co., Ltd.
	Kanto Auto Works, Ltd.	NEC Corporation
	Kao Corporation	NGK Insulators, Ltd.
	Kataoka & Co., Ltd.	NHK Spring Co., Ltd.
	Kawasaki Kisen Kaisha, Ltd.	Nichias Corporation
	Kikkoman Corporation	Nichirei Corporation
	Kintetsu Corporation	Nikken Sekkei Ltd.
	Kobayashi Pharmaceutical Co., Ltd.	Nippo Corporation
	Kokusai Kogyo Co., Ltd.	Nippon Flour Mills Co., Ltd.
	Komatsu Ltd.	Nippon Kayaku Co., Ltd.
	Konami Corporation	Nippon Meat Packers, Inc.
	KPMG Azsa & Co.	Nippon Metal Industry Co., Ltd.
	Kumagai Gumi Co., Ltd.	Nippon Oil Corporation
	KYB Corporation	Nippon Paint Co., Ltd.
	Kyocera Corporation	Nippon Paper Group, Inc.
	Life Insurance Association of Japan	Nippon Paper Industries Co., Ltd.
	Lion Corporation	Nippon Shokubai Co., Ltd.
	Maeda Corporation	Nippon Steel Corporation
	Marubeni Corporation	Nippon Telegraph and Telephone Corporation
	Matsushita Electric Industrial Co., Ltd.	Nippon Yusen Kabushiki Kaisha
	Mazda Motor Corporation	Nisshin Oillio Group, Ltd
	Meiji Seika Kaisha, Ltd.	Nisshin Seifun Group Inc.

[5] Contribution made on behalf of the Italian banking community totalling over one thousand organisations.

[6] Emittenti Titoli S.p.A represents some 30 Italian main listed companies.

Country	Organisation	
JAPAN continued	Nisshinbo Industries, Inc.	Sumitomo Bakelite Co., Ltd.
	Nitto Denko Corporation	Sumitomo Chemical Co., Ltd.
	Nomura Research Institute, Ltd.	Sumitomo Corporation
	NTN Corporation	Sumitomo Electric Industries, Ltd.
	Obayashi Corporation	Sumitomo Metal Mining Co., Ltd.
	Omron Healthcare Corporation	SWCC Showa Holdings Co., Ltd.
	Orix Corporation	Taisei Corporation
	Osaka Securities Exchange Co., Ltd.	Taiyo Nippon Sanso Corporation
	Pioneer Corporation	Tanaka Kikinzoku Kogyo K.K.
	PricewaterhouseCoopers Aarata	TDK Corporation
	Rakuten, Inc.	Teijin Limited
	Renesas Technology Corp.	Terumo Corporation
	Rengo Co., Ltd.	Toda Corporation
	Ricoh Company, Ltd.	Tokai Carbon Co., Ltd.
	Rinnai Corporation	Tokuyama Corporation
	Sanki Engineering Co., Ltd.	Tokyo Bankers Association
	Sanyo Chemical Industries, Ltd.	Tokyo Broadcasting System. Inc.
	Sanyo Shokai Ltd.	Tokyo Stock Exchange, Inc.
	Science and Society Pharmaceutical Co., Ltd.	Toray Industries, Inc.
	Secom Co., Ltd.	Toshiba Corporation
	Seiko Epson Corporation	Toyata Boshoku Corporation
	Seiko Holdings Corporation	Toyo Tire & Rubber Co., Ltd.
	Sekisui Chemical Co., Ltd.	Toyota Industries Corporation
	Sekisui House, Ltd.	Toyota Motor Corporation
	SG Holdings Co., Ltd.	Toyota Tsusho Corporation
	Sharp Corporation	Trust Companies Association of Japan
	Shimizu Corporation	Ube Industries, Ltd.
	Shiseido Co., Ltd.	Ushio Inc.
	Security Analysts Association of Japan	Wacoal Holdings Corp.
	Showa Denko K.K.	Yamaha Motor Co., Ltd.
	Sojitz Corporation	Yazaki Corporation
	Sony Corporation	

Country	Organisation	
KOREA £150,904		
Less than £25,000	Reserve Bank of Korea	
	Private sector support through Korea Accounting Standards Board	
	Ernst & Young Han Young	Posco
	Financial Supervisory Service	Samil PricewaterhouseCoopers
	Gs Caltex Corporation	Samsung Corporation
	Hyundai Motor Company	Samsung Electronics Co., Ltd.
	Industrial Bank of Korea	Samsung Fire & Marine Insurance Co., Ltd.
	Kookmin Bank	Samsung Securities
	Korea Electric Power Corporation (Kepco)	Shinhan Financial Group
	Kt Corporation	Sk Telecom Co., Ltd.
	Kt&G	S-Oil Corporation
	LG Electronics	Tong Yang Investment Bank
	LG Philips Lcd	Woori Financial Group
MALAYSIA £4,959	Bank Negara Malaysia	
MEXICO £30,358		
Less than £25,000	Banco de Mexico	
£25,000 – £50,000	Cemex	
NETHERLANDS £412,234		
Less than £25,000	DSM	EADS NV
£25,000 – £50,000	Euronext	Fortis SA/NV
£50,000 +	ABN Amro	ING
	Aegon N.V.	Royal Dutch Shell
NEW ZEALAND £72,944	Accounting Standards Review Board	
RUSSIA £5,000	Central Bank of Russia	
SINGAPORE £7,620	Monetary Authority of Singapore	

Country	Organisation	
SOUTH AFRICA £49,759		
Less than £25,000	South African Reserve Bank	
	Private sector support through South African Institute of Chartered Accountants	
	Absa Bank	Investec Ltd
	Anglo American	Jse Limited
	Anglogoldashanti	Pick 'N Pay
	Ass Furniture/Steinhoff	Sabmiller
	Gold Fields Mining	Sanlam
	IDC	Sappi Ltd
	Impala Platinum	Standard Bank
	Imperial Holdings	Transnet
SPAIN £136,755		
£50,000 +	Grupo Santander	Telefonica S/A
SWEDEN £220,783	*Funding through Självregleringen i Sverige Service AB*	
SWITZERLAND £239,585		
Less than £25,000	Swiss National Bank	
£25,000 – £50,000	Nestlé SA	
£50,000 +	Swiss Re	UBS
UK £787,164		
Less than £25,000	GlaxoSmithKline	Vodafone
	Rio Tinto	BT Group
	London Stock Exchange	
£25,000 – £50,000	AstraZeneca plc	
£700,000	Financial Reporting Council*	
US £2,061,745		
Less than £25,000	Boeing	Merck & Co
	Coca Cola	State Street
	Financial Executives International	Washington Post
£25,000 – £50,000	Bear, Stearns & Co., Inc.	Moody's
	Cisco	NASDAQ Stock Market
	Federal Reserve System (US)	Oracle
	Fitch Ratings	Procter & Gamble
	General Motors	Prudential Financial
	Microsoft	State Farm Insurance

Country	Organisation	
US continued		
£50,000 +	AIG	JPMorgan Chase
	Bank of America Corporation	Lehman Brothers
	Capital Research & Management Company	Merrill Lynch
	Citigroup	Morgan Stanley
	CFA Institute	Pfizer
	ExxonMobil	Standard & Poors
	General Electric	TIAA-CREF
	Goldman Sachs	Verizon Communications Inc.
	IBM	

International Accounting Firms

£3,238,702		
£0 – £100,000	BDO	Mazars
	Grant Thornton	
£100,000 + *(US$1.5 million each)*	Deloitte	KPMG
	Ernst & Young	PricewaterhouseCoopers

Trustees

£33,533	Two Trustees waived their fees, which have been accounted as contributions.

*UK Financial Reporting Council represents first payment under levy system created for private sector contributions.

IASB pronouncements current at 1 January 2008

Preface to International Financial Reporting Standards

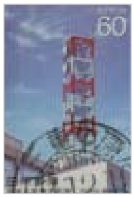
Framework for the Preparation and Presentation of Financial Statements

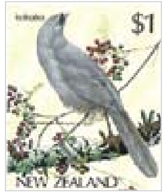
International Financial Reporting Standards

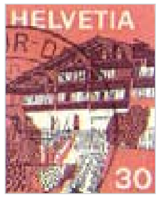
Standards	
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements*
IAS 2	Inventories
IAS 7	Cash Flow Statements†
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date§
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting#
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs*
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements

International Financial Reporting Standards

Standards	
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture
Interpretations of standards	
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes







International Financial Reporting Standards

Interpretations of standards	
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
SIC-7	Introduction of the Euro
SIC-10	Government Assistance – No Specific Relation to Operating Activities
SIC-12	Consolidation – Special Purpose Entities
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
SIC-15	Operating Leases –Incentives
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC-29	Service Concession Arrangements: Disclosures
SIC-31	Revenue – Barter Transactions Involving Advertising Services
SIC-32	Intangible Assets – Web Site Costs

* being superseded by revised version issued in 2007

† title amended by IAS 1 (as revised in 2007) as *Statement of Cash Flows*

§ title amended by IAS 1 (as revised in 2007) as *Events after the Reporting Period*

being superseded by IFRS 8

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

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