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**International
Accounting Standards
Committee Foundation**

This document is provided as a convenience to observers at IASCF meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

**IASCF Meeting with Monitoring Board
1 April 2009**

Agenda Paper MB 2E

DRAFT

ANNUAL REPORT

For the year ended
31 December 2008



**International
Accounting Standards
Committee Foundation®**

2008 ANNUAL REPORT

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DRAFT

Independent auditor's report to the Trustees of the International Accounting Standards Committee Foundation

We have audited the financial statements of the International Accounting Standards Committee Foundation (IASC Foundation) for the year ended 31 December 2008 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 3 October 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 3 October 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 state of the IASC Foundation's affairs as at 31 December 2008 and of its comprehensive income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.

BDO Stoy Hayward LLP
Chartered Accountants
London
Date

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2008

		2008 £'000	2007 £'000
Income			
Standard-setting and related activities			
Contributions	3	12,747	11,277
Interest income		553	595
Other income		<u>41</u>	<u>61</u>
		13,341	11,933
Publications and related activities			
Revenue	4 (a)	<u>6,481</u>	<u>4,992</u>
		19,822	16,925
Expenses			
Standard-setting and related activities			
Salaries, wages and benefits	5	(10,983)	(9,738)
Trustee fees	6	(469)	(496)
Cost of meetings, associated travel and accommodation	7	(2,424)	(2,117)
Accommodation	8(a)	(1,302)	(1,320)
Fundraising expenses		(36)	(175)
Other costs	9	<u>(944)</u>	<u>(667)</u>
		(16,158)	(14,513)
Publications and related activities			
Direct cost of publications and related activities	4(b)	(3,136)	(2,623)
		<u>(19,294)</u>	<u>(17,136)</u>
Profit (loss) before fair value changes and exchange gains		528	(211)
Changes in fair value of financial instruments	11 (d)	(2,977)	(436)
Exchange gains		762	436
Profit (loss) before tax		(1,687)	(211)
Taxation	10	(60)	(1)
Comprehensive income for the year net of tax		(1,747)	(212)
Net assets at beginning of year		<u>10,831</u>	<u>11,043</u>
Net assets at the end of the reporting period		<u>9,084</u>	<u>10,831</u>

The notes on pages 6 to 18 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Current assets			
Cash and cash equivalents	11(a)	6,647	4,752
Accrued interest receivable on bonds		139	91
Contributions receivable	3	334	1,053
Trade and other receivables	11(c)	640	539
Prepaid expenses		459	442
Inventories	12	77	78
Bonds	11(b)	<u>1,375</u>	<u>3,148</u>
		9,671	10,103
Non-current assets			
Bonds	11(b)	6,279	4,055
Leasehold improvements, furniture and equipment	8(b)	<u>484</u>	<u>428</u>
		6,763	4,483
TOTAL ASSETS		<u>16,434</u>	<u>14,586</u>
LIABILITIES			
Current liabilities			
Trade and other payables		659	668
Accrued expenses and sundry payables		1,259	1,099
Contributions received in advance	3	176	264
Rent incentive	8(d)	43	50
Publications revenue received in advance		876	989
Forward currency contracts at fair value	11(d)	<u>2,287</u>	<u>139</u>
		5,300	3,209
Non-current liabilities			
Contributions received in advance	3	49	122
Forward currency contracts at fair value	11(d)	1,208	78
Reinstatement provision	8(c)	413	202
Rent incentive	8(d)	<u>380</u>	<u>144</u>
		2,050	546
TOTAL LIABILITIES		<u>7,350</u>	<u>3,755</u>
NET ASSETS		<u>9,084</u>	<u>10,831</u>

The financial statements on pages 3 to 18 were approved by the Trustees of the IASC Foundation on 1 April 2009 and authorised for issue on 1 April 2009.

Gerrit Zalm
Chairman of the Trustees

STATEMENT OF CASH FLOWS

Year ended 31 December 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Cash received					
Contributions		13,305		10,550	
Interest		527		622	
Foreign exchange settlements		(375)		529	
Publications and related activities		6,339		5,074	
Other receipts		72		30	
Cash paid					
Salaries, wages and benefits		(10,832)		(9,921)	
Other expense		(4,468)		(4,055)	
Publications direct costs		(3,091)		(2,610)	
Trustees' fees		<u>(476)</u>		<u>(461)</u>	
Net cash from operating activities			1,001		(242)
INVESTING ACTIVITIES					
Purchase of bonds		(3,321)		(1,185)	
Matured bonds receipts		3,148		1,145	
Purchase of furniture and equipment		(67)		(141)	
Leasehold property and leasehold improvements		(3)		(103)	
Net cash increases from investing activities			(243)		(284)
Effects of exchange rate changes on cash and cash equivalents			1,137		(93)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			1,895		(619)
Cash and cash equivalents at the beginning of the period			<u>4,752</u>		<u>5,371</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11 a		<u>6,647</u>		<u>4,752</u>

The notes on pages 6 to 18 form part of these financial statements,

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. LEGAL FORM, OBJECTIVES AND RESTRUCTURING

Incorporated in the State of Delaware, USA, on 6 February 2001, the International Accounting Standards Committee Foundation (IASC Foundation) is a not-for-profit charitable organisation with its primary operations 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 primarily 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. In addition to their general oversight functions, the Trustees appoint the members of the IASB and related bodies, 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 and the IASB's Due Process Handbook.

In 2008 the Trustees advanced the first part of the IASC Foundation's five-yearly Constitution Review. The first part addressed the issue of public accountability of the Trustees, as well as the composition, geographical diversity and size of the IASB. Related to the organisation's governance, the Trustees considered the creation of a direct link to public authorities—one that would seek to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. In reaching conclusions about the proposals for the first part, the IASC Foundation worked closely with a group of public authorities—the International Organization of Securities Commissions (IOSCO), the European Commission, the Japan Financial Services Agency (FSA), and the US Securities and Exchange Commission (SEC). Those organisations issued in November 2007 a press release regarding the IASCF's public accountability, which was consistent with the conclusions on public accountability emerging from the Trustees' strategic review during 2007.

At the Trustees' meeting in New Delhi, India, on 15 January 2009, the Trustees unanimously decided to approve the necessary constitutional changes to establish a link to a newly created Monitoring Board. The membership comprises the relevant leaders from the IOSCO Emerging Markets and Technical Committees, the European Commission, the Japan FSA, and the US SEC. The Basel Committee on Banking Supervision sits as a formal observer at Monitoring Board meetings. Furthermore, the Trustees approved the text of the Memorandum of Understanding that will govern the relationship between the Trustees and the Monitoring Board.

2. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards.

For the purposes of organising the financial information the IASCF Foundation has categorised income and expenses into two categories—standard-setting and related activities and publications and related activities. Standard-setting and related activities includes all activities associated with standard-setting and support functions required to achieve the organisation's objectives. Publications and related activities includes information related to the sales of print and electronic IFRS materials, educational activities, and XBRL.

(b) Contributions

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

(c) Publications and related revenue

Subscriptions to the IASC Foundation's comprehensive package and eIFRS products are recognised as revenue on a time-apportioned basis over the period covered by the subscriptions. 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 and promotion and computer costs. The direct costs do not include other costs of preparing standards, including costs of meetings of the Trustees or the IASB, 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. These costs are included within standard-setting and related activities.

(d) Inventory

Inventories of current publications are valued at the lower of net realisable value, and the cost of printing the publications. Inventories that have been superseded by new editions, are written off.

(e) Depreciation

Leasehold improvements and furniture and equipment are initially measured at cost, and depreciated on a straight-line basis (in the case of leasehold improvements over the period of the lease). For all other assets the annual rate applied is 20 per cent of cost, except computer equipment, which is depreciated at $33\frac{1}{3}$ per cent of cost.

(f) Foreign currency transactions

The IASC Foundation's presentational and functional currency is sterling. Transactions denominated in currencies other than sterling are recorded at the exchange rate at the date of the transaction. Differences in exchange rates are recognised in the Statement of Comprehensive Income. Monetary assets and liabilities are translated into sterling at the exchange rate at the end of the reporting period.

(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. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

(h) Financial assets

Investments in bonds are classified at fair value through profit or loss, and the corresponding gains or losses are included in the Statement of Comprehensive Income.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the IASC Foundation is committed to purchase or sell the asset. Investments are recognised initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the IASC Foundation has transferred substantially all risks and rewards of ownership.

(i) Derivative financial assets and liabilities

The IASC Foundation uses contributions, primarily in US dollar and euro, to fund 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; the forward foreign currency hedges are entered into to provide certainty regarding funding requirements and to protect against currency fluctuation on future cash flows that are designated in dollar and euro. 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

(k) Critical accounting estimates and judgements

The IASC Foundation makes estimates and assumptions regarding the future. In the future, actual experience may differ from those estimates and assumptions. The Trustees consider there are none that are material to the preparation of the financial statements.

(l) New standards and Interpretations issued

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 2008, except for that explained in (b) below.

(a) Interpretations effective in 2008 but not relevant

The following Interpretations of standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the operations of the IASC Foundation:

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of the above Interpretations does not have any impact on the financial statements of the IASC Foundation.

(b) Standard adopted early

IAS 1 *Presentation of Financial Statements* (as revised in 2007) (effective from 1 January 2009).

In 2008 IAS 1 (revised 2007) was adopted early. The revised standard prohibits the presentation of items of income and expenses (i.e. ‘non-owner changes in equity’) in the statement of changes in equity, requiring them to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify

comparative information, they are required to present a restated statement of financial position as at the beginning of the comparative period in addition to statements of financial position at the end of the current period and comparative period.

The presentation of the IASC Foundation's financial statements has been changed as a result of the adoption of the revised standard.

(c) *New standards, and Interpretations and amendments to existing standards that are not yet effective and not relevant for the operations of the IASC Foundation*

- IFRS 8 *Operating Segments* (1 January 2009)
- IFRIC 13 *Customer Loyalty Programmes* (1 July 2008)
- IFRIC 15 *Agreements for the Construction of Real Estate* (1 January 2009)
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (1 October 2008)
- IAS 23 *Borrowing Costs* (as revised in 2007) (1 January 2009)
- *Vesting Conditions and Cancellations* (Amendment to IFRS 2) (1 January 2009)
- *Puttable Financial Instruments and Obligations Arising on Liquidation* (Amendments to IAS 32 and IAS 1) (1 January 2009)
- *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27) (1 January 2009).
- IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) (1 July 2009)
- IFRS 3 *-Business Combinations* (as revised in 2008) (1 July 2009)

The amendments to the following standards as part of the IASB's annual improvements project issued in May 2008 (1 January 2009)

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (and consequential amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*) (1 July 2009)
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10 *Events after the Reporting Period*
- IAS 19 *Employee Benefits*
- IAS 18 *Revenue*
- IAS 23 *Borrowing Costs*
- IAS 28 *Investments in Associates* (and consequential amendments to IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures*)
- IAS 34 *Interim Financial Reporting*
- IAS 36 *Impairment of Assets*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*

3. CONTRIBUTIONS

The Trustees arrange the majority of the organisation's operations to be funded through a number of national financing regimes. These are established on the following basis:

- **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.

A large number of national levies, payments and broad-based regimes were in place for the first time in 2008 and these led to an overall increase in contributions. In 2008 the IASC Foundation received funds of £12,747,000 in contributions (2007: £11,277,000).

Contributions received before 31 December 2008, amounting to £225,000 (2007: £386,000), 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 or confirmed after 31 December 2008, amounting to a total of £334,000 (2007: £1,053,000) specifically designated by the contributors for use by the IASC Foundation in 2008 were recognised as revenues at the end of 2008 and included as contributions receivable.

As at March 2009, the IASC Foundation has £17.1 million in multi-year commitments from country-specific regimes towards a target of £18 million. Many of these contributions are continuation of existing contributions, most either in US dollars and euro. Some of the increase can therefore be explained by the appreciation of the US dollar and euro against Sterling. Additionally, more countries are launching funding regimes in 2009. 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, in 2006 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 was £36,000 (2007: £175,000). The engagement ended in November 2008.

4. PUBLICATIONS AND RELATED ACTIVITIES

(a) PUBLICATIONS AND RELATED REVENUE

	2008	2007
	£'000	£'000
Sales of subscriptions and publications	4,411	3,808
Royalties and permission fees	1,120	1,013
Other related activities	<u>950</u>	<u>171</u>
	<u>6,481</u>	<u>4,992</u>

(b) PUBLICATIONS AND RELATED COSTS

	2008	2007
	£'000	£'000
Staff/employee related costs	1,486	1,263
Cost of goods sold	433	377
Depreciation	37	40
Other costs	<u>1,180</u>	<u>943</u>
	<u>3,136</u>	<u>2,623</u>

5. SALARIES, WAGES AND BENEFITS

The IASC Foundation had an average of 101 employees (including IASB members and interns) during 2008 (2007: 91).

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Staff costs, including IASB members' salaries and other costs	10,252		9,126	
Contributions to defined contribution pension plans	533		456	
Recruitment and relocation costs	<u>198</u>		<u>156</u>	
		10,983		9,738
Staff costs included in publications direct expenses (see note 4)				
Salaries and other costs	1,366		1,171	
Contributions to defined contribution pension plans	92		73	
Recruitment and relocation costs	<u>28</u>		<u>19</u>	
		1,486		1,263
TOTAL		<u>12,469</u>		<u>11,001</u>

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 2008, the total cost for the 13 IASB members' salaries, including all applicable employment taxes and benefits, recruitment expenses, and relocation costs of new IASB members, amounted to £4,771,000, (2007: £4,735,000). In March 2008, effective for April 2008, the Trustees approved the following compensation budgets: £476,900 per year for the IASB Chairman (2007: £461,142), £389,680 per year for full-time members (2007: £374,690) and £194,840 per year for part-time members (2007: £187,345).

6. TRUSTEES' FEES

The Trustees are remunerated by annual and meeting fees and are reimbursed for the expenses of their travel on IASC Foundation business. In 2008 the annual fee for the Chairman of the Trustees was £75,000 (2007 £25,000). The annual fee for the other Trustees was £12,500 (2007: £12,500). Trustees received an attendance fee of £1,000 (2007: £1,000) for each formal meeting of the Trustees and their committees.

7. COST OF MEETINGS, ASSOCIATED TRAVEL AND ACCOMMODATION

MEETING TYPE	2008 £'000	2007 £'000
IASB	828	732
Trustees	294	250
International Financial Reporting Interpretations Committee and Standards Advisory Council	351	274
Other advisory meetings	445	495
Travel for other consultation and liaison	<u>506</u>	<u>366</u>
TOTAL	<u>2,424</u>	<u>2,117</u>

8. ACCOMMODATION AND OTHER ASSETS

8a Accommodation Expenses

	2008 £'000	2007 £'000
Rent	610	629
Service charges	164	179
Rates, insurance and energy	342	324
Depreciation	164	167
Other	<u>22</u>	<u>21</u>
	<u>1,302</u>	<u>1,320</u>

8b Leasehold improvements, furniture and equipment

2008	Leasehold property £'000	Leasehold improvements £'000	Furniture, equipment £'000	2008 Total £'000
Cost				
At 1 January 2008	-	838	771	1,609
Additions	-	190	67	257
Disposals/retirements	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(23)</u>
At 31 December 2008	<u>-</u>	<u>1,028</u>	<u>815</u>	<u>1,843</u>
Depreciation				
At 1 January 2008	-	598	583	1,181
Charge for the year	-	110	91	201
Disposals/retirements	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(23)</u>
At 31 December 2008	<u>-</u>	<u>708</u>	<u>651</u>	<u>1,359</u>
Net carrying amount				
At 31 December 2008	-	320	164	484
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	<u>(65)</u>	<u>-</u>	<u>(24)</u>	<u>(89)</u>
At 31 December 2007	<u>-</u>	<u>838</u>	<u>771</u>	<u>1,609</u>
Depreciation				
At 1 January 2007	65	484	514	1,063
Charge for the year	-	114	93	207
Disposals	<u>(65)</u>	<u>-</u>	<u>(24)</u>	<u>(89)</u>
At 31 December 2007	<u>-</u>	<u>598</u>	<u>583</u>	<u>1,181</u>
Net carrying amount				
At 31 December 2007	-	240	188	428

Capital commitments

At the reporting date the IASC Foundation had no capital commitments (2007: nil).

8c Reinstatement Provision

The IASC Foundation has made the following provision for reinstatement; this provision covers the cost of reinstating the building when the lease expires in September 2018. The corresponding property asset is amortised over the period of the lease.

	2008	2007
	£'000	£'000
Balance at 1 January 2008	202	0
Reclassification of provision previously reported in current liabilities	0	106
Provision made in year	<u>211</u>	<u>96</u>
Balance at 31 December 2008	<u>413</u>	<u>202</u>

8d Lease commitments

Payments on the leases, excluding service charges and property rates are as follows:

	2008	2007
	£'000	£'000
Payments		
Within one year	400	498
In two to five years	3,113	2,734
More than five years	<u>3,694</u>	<u>4,472</u>
TOTAL	<u>7,207</u>	<u>7,704</u>

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

9. OTHER COSTS

	2008	2007
	£'000	£'000
Communication	376	231
Audit, legal and taxation fees	118	95
External relations	229	182
Other	<u>221</u>	<u>159</u>
TOTAL	<u>944</u>	<u>667</u>

10. TAXATION

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 taxation on its publications and related revenues. In 2008 the taxation charge is calculated on this basis, and is estimated to be £60,000 (2007: £1,000). On the basis of activity from previous

years, at the end of 2008 the IASC Foundation is carrying forward a loss for UK tax purposes of £201,000 (2007: £768,000). Consistent with IAS 12 *Income Taxes*, the IASC Foundation does not recognise this loss as a deferred tax asset, because of the uncertainty of being able to utilise this in the future.

11. FINANCIAL INSTRUMENTS

Owing to its funding model, which is 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:

- Bonds
- Derivative instruments - forward currency contracts
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

(a) Cash and cash equivalents

Liquidity 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. The IASC Foundation has no bank borrowings. Cash and cash equivalents are designated as loans and receivables.

Cash holdings: As a general rule, management seeks to keep an amount in cash equal to or exceeding the upcoming quarter's expenditure. 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. Cash at bank to pay for general operations in London is held by Barclays Bank PLC, London. A US dollar account, used to pay most US dollar expenses, is held by Barclays Bank PLC in New York. Other deposits and balances required from time to time to cover hedging obligations and for investment purposes are held in accounts with Barclays Bank (Suisse) S.A in Geneva. All decisions regarding the Geneva accounts are managed by the Trustees of the IASC Foundation.

	Effective interest rates			
	2008 £'000	2007 £'000	2008 %	2007 %
Cash and bank deposits due after 15 days in Geneva				
Bank sterling deposits due after 15 days, and within 34 days	2,440	2,979	2.20	6.02
Bank dollar deposits due within 90 days	2,054	560	0.85	4.87
Cash and bank deposits due on demand				
Sterling in London	1,423	493	0.45	0.95
Euro in London	183	162	-	-
US dollar in London	1	5	-	-
US dollar in New York	545	550	-	-
Sterling and US dollars in Geneva	<u>1</u>	<u>3</u>	-	-
	<u>6,647</u>	<u>4,752</u>		

(b) Bonds

Bond holdings: The Trustees are conscious of the need to protect against the risks associated with uncertainty relating to funding contributions. The Trustees have invested surplus funds of the IASC Foundation in 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, to provide a steady cash flow upon their maturity to replace donor commitments if they are not fulfilled.

The IASC Foundation manages and receives information on its investments in bonds 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. Bonds are carried at fair value

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

	Nominal value 2008 £000's	Nominal value 2007 £,000	Fair value 2008 £'000	Fair value 2007 £'000
less than one year	<u>1,343</u>	<u>3,154</u>	<u>1,375</u>	<u>3,148</u>
Total current	<u>1,343</u>	<u>3,154</u>	<u>1,375</u>	<u>3,148</u>
more than one year and less than two years	1,503	1,354	1,582	1,354
more than two years and less than three years	2,489	1,502	2,624	1,516
more than three and less than four years	<u>2,011</u>	<u>1,185</u>	<u>2,073</u>	<u>1,185</u>
Total non current	6,003	4,041	<u>6,279</u>	<u>4,055</u>
Total			<u>7,654</u>	<u>7,203</u>

Bonds provide a yield in the range of 4.25% to 5.75% per annum.

(c) Trade and other receivables

Credit risk

In addition to its contributions programme, the IASC Foundation supplements its funding through publications and related activities. For publications and subscriptions sales the IASC Foundation does not offer credit. For licensing and royalty arrangements some credit risk arises. However the organisation works largely with major publishers and accounting bodies, with whom it has long-standing relationships, and therefore the IASC Foundation does not credit check these customers before it enters into business with them.

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. The maximum exposure to credit risk is the trade receivable balance at the year-end.

	2008 £'000	2007 £'000
Not yet due	541	425
Overdue but not impaired	<u>99</u>	<u>114</u>
Total	<u>640</u>	<u>539</u>

Where overdue accounts are still unpaid 6 months or more after invoice date and the IASC Foundation considers the amount impaired it provides for the amount as a bad debt provision in the financial statements. At 31 December 2008 the amount provided for was £25,000 (2007: £nil).

(d) 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 and euro exposure through their hedging strategy, 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 2007 to provide a fixed sterling equivalent from the US dollar contributions. For 2008, 2009 and 2010 the Trustees have purchased a series of forward contracts to fix a sterling equivalent. Details of which are set out in the table below.

		2008			2007	
Future currency contracts	£'000	\$'000	€'000	£'000	\$'000	€'000
2008				5,850	11,791	
2009	7,943	11,791	2,250	3,293	6,551	-
2010	5,413	6,551	2,250		-	-
Total	13,356	18,341	4,500	9,143	18,341	-

The range of rates for the dollar are 1.8145 to 1.9970 (2007 1.997 to 2.023) and the euro 1.256 (2007 nil).

The following changes to fair value are reflected in the Statement of Comprehensive Income.

Charge in Statement of Comprehensive Income	2008	2007
	£'000	£'000
Forward foreign exchange contracts	(3,277)	(512)
Bonds	<u>300</u>	<u>76</u>
Changes in fair value of financial instruments	<u>(2,977)</u>	<u>(436)</u>

Below follows the fair values of these contracts

	Fair value	Fair value
	2008	2007
	£'000	£'000
Derivatives		
Forward contracts expiring at the end of each calendar quarter of 2009	(2,287)	(139)
Forward contracts expiring at the end of each calendar quarter of 2010	<u>(1,208)</u>	<u>(78)</u>
	<u>(3,495)</u>	<u>(217)</u>

12. INVENTORIES

Inventory of books amount to £77,000 (2007: £78,000).

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Trustees of the IASC Foundation on 1 April 2009 and authorised for issue on 1 April 2009, and at that date there were no significant events after the balance sheet date.