



Presentation of the Preliminary 2011 Budget

27th October 2010

Purpose of presentation

- The Trustees are presenting the preliminary budget for 2011 to the Monitoring Board consistent with MB-Trustees MoU:
 - The MoU calls for the MB to **“confer with the Trustees regarding their oversight responsibilities”** in a number of areas, including “the adequacy and appropriateness of the sources of funding and any other revenue arrangements of the IASCF, as well as the annual budget of the IASCF.”

Last Financial Update—July 2009

- In July 2009, the Trustees presented the forecasted budget for 2010.
- In that presentation, the Trustees explained:
 - Growing demands made on the organisation required greater staff resources, particularly technical and stakeholder engagement activities.
 - While a number of broad-based funding regimes are in place, a number of countries are not yet contributing on that basis and were behind their expected share.
 - In the short-term, the Trustees could finance some activities with reserves, but this is unsustainable.

Serving a global constituency

Summary of Expenses 2001-2011

£ '000s	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Head count	36	52	60	64	67	76	91	101	114	120	125
Expense	9,436	11,993	12,778	14,890	14,777	16,455	17,136	19,294	22,956	24,577	25,979

IASB and the FASB expect to complete their joint convergence programme SEC to decide on US adoption of IFRSs

IASB expands to 16 members by 2012
IASB and the FASB modify convergence strategy in response to stakeholder feedback
IASB significantly enhances outreach activities

IASB issues IFRS for SMEs
IASB responds to G20 conclusions, publishes IFRS 9 Financial Instruments
Japan approves roadmap for adoption of IFRSs
G20 support for global standards, completion of MoU

Israel, Malaysia and Mexico adopt IFRSs
US SEC publishes roadmap for adoption
IASB comprehensive response to the financial crisis

Brazil, Canada, Chile, India, Japan and Korea all establish timeline to adopt IFRSs
US SEC removes reconciliation requirement

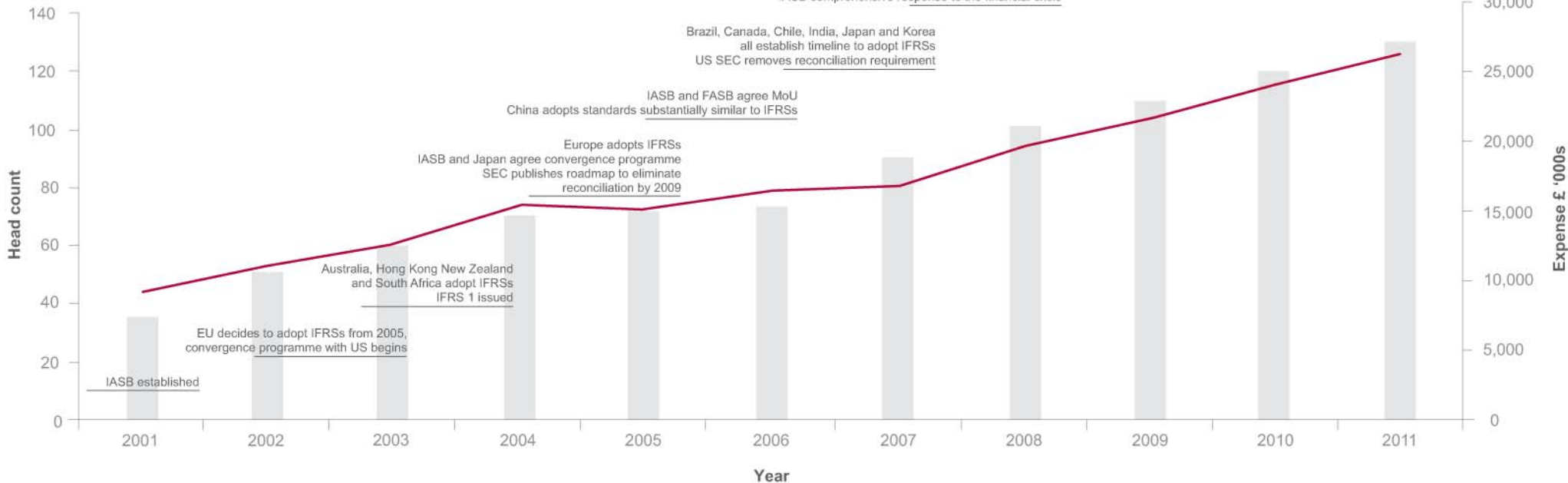
IASB and FASB agree MoU
China adopts standards substantially similar to IFRSs

Europe adopts IFRSs
IASB and Japan agree convergence programme
SEC publishes roadmap to eliminate reconciliation by 2009

Australia, Hong Kong New Zealand and South Africa adopt IFRSs
IFRS 1 issued

EU decides to adopt IFRSs from 2005, convergence programme with US begins

IASB established



Current position—2010 budget

- The Foundation restrained expenditure in 2010 to minimise any potential deficit, mainly by deferring planned hiring. This has put strain on the organisation in relation to planned activities.
- In 2010, the original expenditure budget presented to the MB was £22.6 million. The final version was £21.09 million. The latest forecast expenditure is £21.2 million.
- The operating deficit is forecast to be £1.78 million, financed by using reserves.

Background – 2011 Plan

- **Potential deficit without action:** Despite continuing restraint on expenditure, the operating deficit increases to £3.3 million in 2011. It is increased by an anticipated net reduction in funding (mainly EU-wide system producing less than present system and lower financing from the United States).
- **Unsustainability of deficit finance:** The operating deficit would be funded from liquid reserves standing at £9.73 million at year end 2009 and are forecast to be £7.19 million at end 2010 (with £1.03 million in cash and £6.16 million in bonds).
- **As an aspiration, the Trustees will seek a balanced budget in 2011.**

Budget scenarios

£ '000s	2010 Budget	2010 Forecast	2011 Base Line Budget	2011 Reduced Budget
Total Revenues	19,917	20,122	19,925	22,945
XBRL costs	682	657	747	673
Total Operating Expenses	21,089	21,248	22,506	21,512
Net Operating Deficit	(1,854)	(1,783)	(3,328)	760
Non Operating Costs	(19)	(756)	(15)	(265)
Total Deficit Pre-Tax	(1,873)	(2,538)	(3,343)	495

The current financing shortfall

Country	Expected Funding 2011 (GBP)	Base Budget (GBP)	
		Funding Requirement	GAP
European Union	3,505,386	4,518,589	(1,013,203)
United States	1,967,684	3,916,647	(1,948,963)
Japan	1,821,328	1,392,355	428,973
China	712,269	952,712	(240,443)
Brazil	9,757	305,482	(295,725)
Canada	498,925	367,159	131,767
India	260,190	239,872	20,317
Russia	0	337,707	(337,707)
Australia	576,618	273,962	302,656
Mexico	0	169,797	(169,797)
Korea	325,237	228,717	96,520
Turkey	0	169,050	(169,050)
Indonesia	0	104,680	(104,680)
Switzerland	213,713	135,888	77,825
Norway	45,000	105,217	(60,217)
Saudi Arabia	6,505	71,744	(65,239)
Argentina	0	60,176	(60,176)
South Africa	65,047	55,742	9,305
Hong Kong SAR	126,842	57,894	68,948
Israel	0	53,525	(53,525)
Malaysia	0	37,158	(37,158)
Singapore	59,757	48,664	11,093
Chile	0	31,398	(31,398)
New Zealand	90,702	32,362	58,340
TOTAL	10,284,961	13,666,499	(3,381,538)

Revenue actions proposed to balance budget

- **EU Financing:** In addition to the EU-wide contribution, the Trustees will seek to extend individual EU country contributions
- **US Financing:** Additional financing will be sought in the US
- **New Financing:** The Trustees will seek to establish financing from non-contributing countries
- **Major accounting firms:** The Trustees will seek increased funding on a short term basis.

Expenditure cuts to produce balanced budget

- **Board Members:** As permitted by the constitution maintain IASB at 15 members, i.e. defer hiring of 16th Board Member to 2012. Also reduced search expenditure;
- **Staff and consultants:** phase hiring for vacancies and new roles and reduce use of consultancy support;
- **Non staff costs:** further reductions in travel, technology and professional fees;
- **Non identified savings:** Trustees have tasked management with achieving £500,000 further savings to bring expenditure to below £21 million.

- Proposed expenditure reductions will have an operational impact.
- Actions to increase revenue are challenging and carry risk.
- How can the Monitoring Board help in achieving the revenue targets?