

International Accounting Standards
Committee Foundation



IFRS





Table of Contents

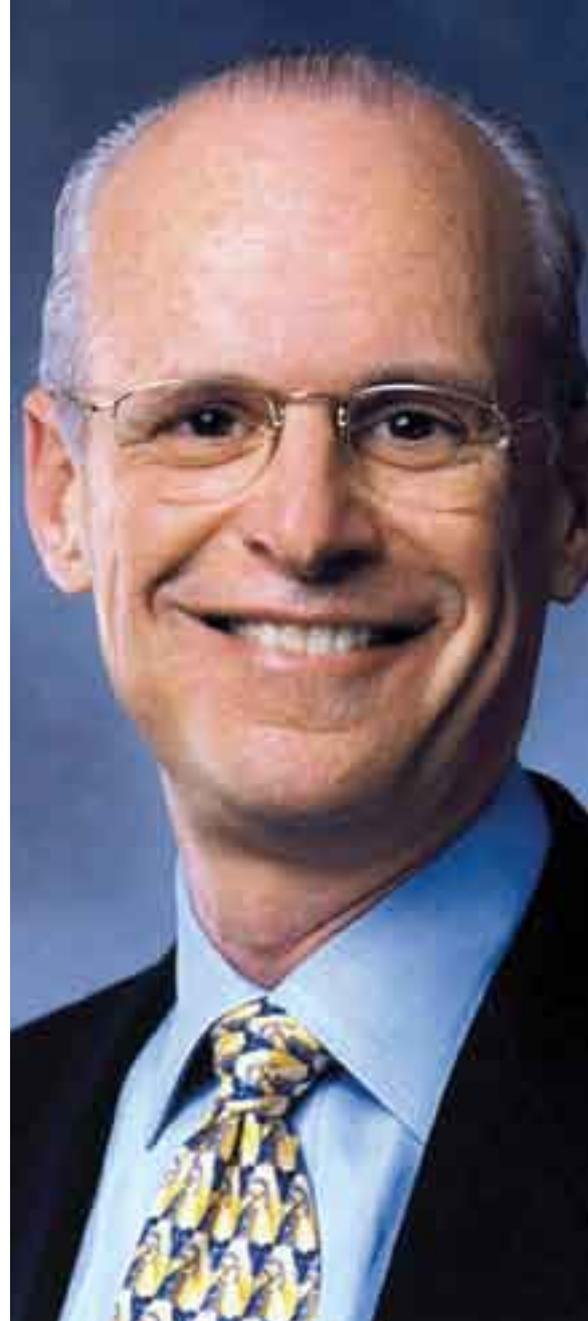
pages 1-8	Report of the Chairman of the IASC Foundation Trustees
pages 9-28	Report of the Chairman of the International Accounting Standards Board
page 29	Report of the Independent Auditors
pages 30-33	2006 Financial Statements of the IASC Foundation
page 34	IASB Pronouncements current at 1 January 2007
page 35	Trustees of the International Accounting Standards Committee Foundation
page 36	The International Accounting Standards Board
page 37	The International Financial Reporting Interpretations Committee and the Trustee Appointments Advisory Group
page 38	The Standards Advisory Council
page 39	IASC Foundation Underwriters and Supporters 2006
page 40	Contact Details

Report of the Chairman of the IASC Foundation Trustees

Seven years ago, the IASC Foundation began its work with a single aim—to create a set of high quality and principle-based financial reporting standards that are used throughout the world’s capital markets. The work of the IASC Foundation, the International Accounting Standards Board (IASB), and all of those with an interest in the development and use of International Financial Reporting Standards (IFRSs) in 2006 reflects the considerable progress that has been made in a relatively short period of time—progress that exceeded even the most optimistic expectations of the original Trustees when established in May 2000.

It is easy to lose sight of the fact that when my fellow Trustees and I began our work in 2000, very few countries and companies throughout the world were using what were then called International Accounting Standards (IASs). A significant body of opinion existed, not restricted to the United States, that US generally accepted accounting principles (GAAP) would eventually become the international norm for companies and investors operating in international capital markets.

The development of a high quality set of IFRSs by the IASB is playing a critical role in the creation of a sound financial reporting infrastructure in a globalising economy. Capital markets are integrating worldwide, and their effective functioning plays an increasingly important role in the well-being of the world’s economy. Differences in accounting methodologies and reporting systems impose an unnecessary burden on economic efficiency. They make cross-border comparisons difficult and costly. They may mislead markets and capital allocation.



‘I am a firm believer in truly global accounting standards that serve efficient capital markets around the world.’

Charlie McCreevy,
European Commissioner



In these six short years, much has changed. More than 100 countries throughout the world require or permit the use of IFRSs. This number is expected to rise substantially within a relatively short time frame. The transition to IFRSs, which culminated in the mass adoption of IFRSs in many of these countries in 2005 and the release of the first full year accounts in 2006, has gone relatively smoothly and without any shocks to the financial system.

Today, international markets are increasingly viewing IFRSs as an attractive and preferred financial reporting language for the raising of capital. The major emerging and transition economies of the world—Brazil, China, India and Russia—are adopting or considering the adoption of IFRSs, not US GAAP, in an effort to become integrated in the world’s capital markets and attract the investment necessary to finance their development. Similarly, Canada, Chile, Israel and Korea have all recently announced their planned abandonment of national standards for IFRSs.

At the same time, there is much work to be done if the Trustees and the IASB are to be successful in making IFRSs a truly global set of accounting standards. In many ways, 2006 was a year of transition, in which the results of the first broad implementation of IFRSs were revealed, the IASB provided relative stability for IFRS preparers, and the organisation could prepare for the next wave of countries to adopt IFRSs.

The work of the Trustees and the IASB in 2006 was aimed at consolidating the progress made and at encouraging other countries to adopt IFRSs. For the Trustees, this meant setting the following priorities:

- Encouraging convergence efforts between the IASB and other standard-setters
- Continuing our emphasis on developing effective oversight measures and improved organisational accountability
- Building a sustained basis of financing to protect the organisation’s independence
- Recruiting for the Trustees, the IASB and associated committees and working groups highly capable individuals who understand the potential role and impact of IFRSs.

‘Under the leadership of IASCF, the restructured IASB sticks to a principle-oriented notion in setting up accounting standards and has formulated a series of high-level International Financial Reporting Standards. The Board has developed an effective and sustainable working mechanism and adopted a practical, open-ended strategy for international convergence. The efforts not only promoted the international convergence of accounting in the EU, North America and Australia but also in China. The efforts also increased the opportunities for emerging economies, including China, to participate in the international convergence, and heightened the influence of IFRSs around the world.’

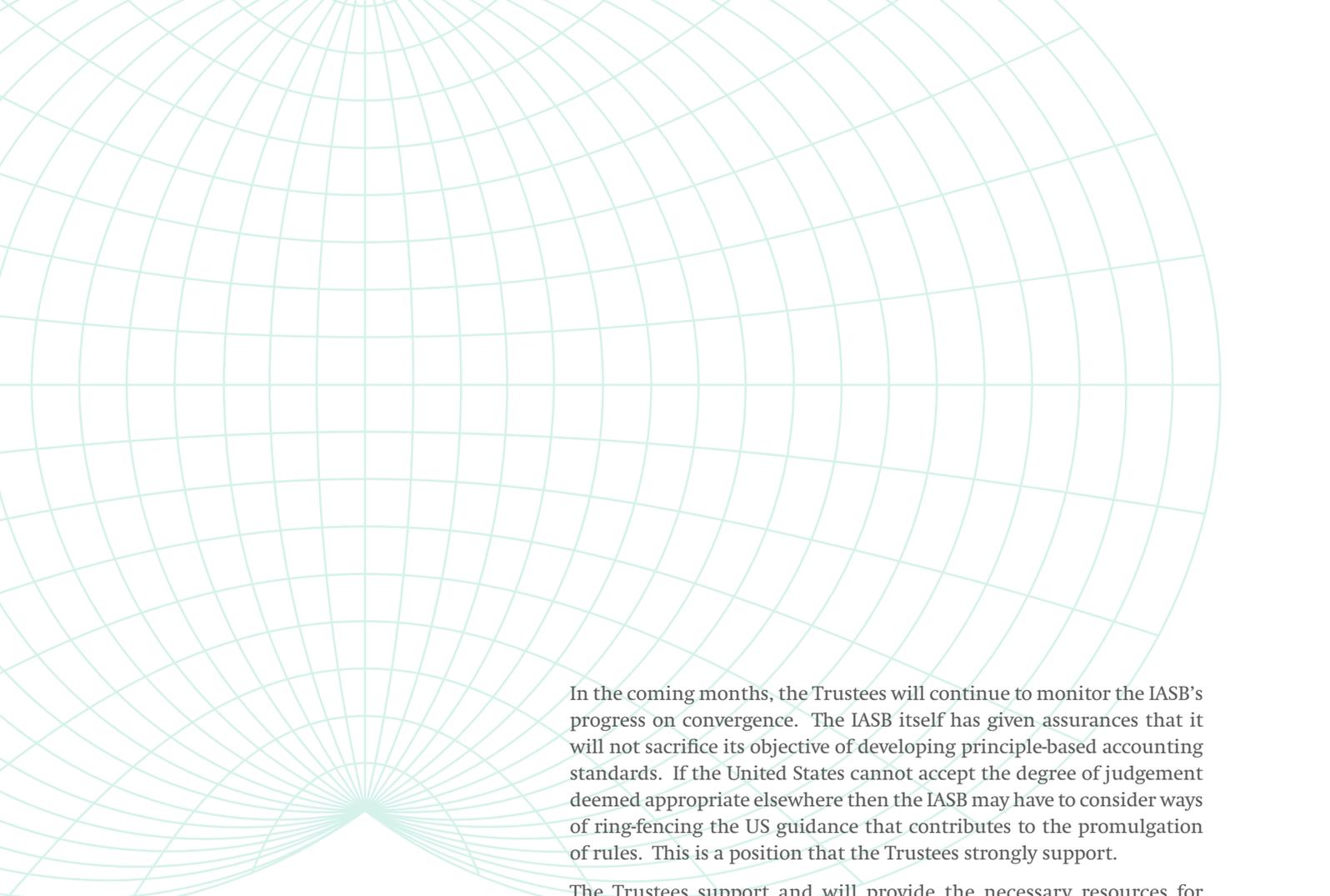
Wang Jun, Vice Minister, Ministry of Finance,
People’s Republic of China

Making IFRSs the global standard

While the endorsement of IFRSs in some form by more than 100 countries is encouraging, this is not to suggest that IFRSs are yet a global standard. Many important economies—for example, Japan and the United States—are still in the process of converging. Therefore, much work remains to be done by all of us involved in the preparation and adoption of IFRSs if we are to achieve our shared vision of making IFRSs the world’s primary financial reporting language.

An essential element of the IASB’s strategy to achieve that objective is the convergence work with the US Financial Accounting Standards Board (FASB). The Trustees welcomed the February 2006 Memorandum of Understanding between the two boards as a pragmatic way of advancing a common convergence agenda, while achieving the short-term objective of removing the need for reconciliation requirements.

In this context, recent pronouncements from the European Union and the United States, particularly the US Securities and Exchange Commission (SEC), are encouraging. At their summit meeting in April 2007, the European Union and the United States agreed to ‘promote conditions for the U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards to be recognised in both jurisdictions without the need for reconciliation by 2009 or possibly sooner.’ The SEC has also announced that it would propose a rule that would eliminate the reconciliation requirement for non-US companies using IFRSs and registered in the United States and would consider whether it should allow US companies to use IFRSs as well. This would be a major breakthrough in establishing a truly global IFRS regime.



In the coming months, the Trustees will continue to monitor the IASB's progress on convergence. The IASB itself has given assurances that it will not sacrifice its objective of developing principle-based accounting standards. If the United States cannot accept the degree of judgement deemed appropriate elsewhere then the IASB may have to consider ways of ring-fencing the US guidance that contributes to the promulgation of rules. This is a position that the Trustees strongly support.

The Trustees support and will provide the necessary resources for the IASB to continue its other convergence activities. The steps made by the Accounting Standards Board of Japan towards IFRSs are significant, and we believe that acceptance of IFRSs in Japan would benefit the Japanese economy and the world's capital markets. In the coming year we will place greater emphasis on our outreach to the emerging economies of Africa, Asia and Latin America, related both to the adoption of IFRSs and to the development of a standard for small and medium-sized entities.

The broad adoption of IFRSs and the pace of progress of convergence give reason for optimism. But there are risks, too. Countries that adopt IFRSs get the benefit of high quality, internationally recognised standards but the trade-off is that national requirements have to be considered in a global context, and it is unlikely that enhancements to global standards will be unanimously popular across all jurisdictions. Indeed, if we are to safeguard the ideal of the single set of global standards against those that advance narrow special interests we must maintain strong relationships with those that have declared their adherence to IFRSs. The leadership position taken by the EU through its adoption of IFRSs in 2005 gave momentum to the use of IFRSs around the world, and Europe remains an important stakeholder in the ongoing process of refinement and improvement of accounting standards. It is therefore important to have meaningful engagement with European institutions, and in particular the Parliament and the Commission. Inconsistent adoption, modifying IFRSs in a national or regional context, and the use of unauthorised or poor quality translations all risk undermining the project by reducing comparability and diminishing transparency. The Trustees are aware of that risk and, with the IASB, are examining measures to ensure that IFRSs are adopted in a consistent manner throughout the world. This will remain a priority in 2007.

An emphasis on Trustee engagement and oversight

As a result of the Constitution Review in 2003-2005, the Trustees have developed more formal measures to monitor their effectiveness in oversight to assist us in carrying out our duties and in protecting the independence of the IASB's standard-setting process. The continued improvement of oversight measurements, consistent with the IASC Foundation's Constitution, is aimed at improving confidence in the process and is an important element in enhancing that independence.

The Trustees encouraged and welcomed the IASB's decision in July to allow a minimum of one year between the date when wholly new IFRSs or major amendments to existing IFRSs are issued and the date when implementation is required. We also viewed as a positive step the IASB's decision not to require the application of new IFRSs under development or major amendments to existing standards before 1 January 2009.

The Trustees also established the Trustees' Procedures Committee to take a leading role in undertaking the Trustees' oversight work, including the IASB's adherence to due process. This committee is already playing an important role. In November, the Trustees approved the Procedures Committee's recommendation of a framework for our oversight role, which we published on our Website. We have also recently released on the Website a summary of our progress in 2006 measured against this framework.

As a result of this oversight exercise, the Trustees have had the opportunity to discuss the IASB's work programme on several occasions, including those projects that are the subject of the IASB-FASB convergence programme. We have now agreed to establish additional formal opportunities for strategic discussions between Trustees and the IASB, with the summary report from such meetings being presented in public session at the following Trustees meeting.

Following consultations with a number of parties, we have established a programme to improve two-way communications between the organisation and interested parties throughout the world. The Trustees are committed to playing a greater role in outreach and dedicating additional resources to the communications effort.

In the coming year, the Trustees will continue to work with the IASB to build greater understanding of the IASB's deliberative processes. As recently agreed by the Trustees and the IASB, the introduction of feedback statements and a clearer articulation of how cost-benefit considerations are taken will assist in that effort.





Building a well-resourced institution

It is important to bear in mind that, for an organisation with a global reach and worldwide constituency, the IASC Foundation and the IASB remain a remarkably small organisation, with only some 76 full-time and part-time employees and a forecast 2008 budget of £16 million. Until now, it has successfully financed its operations largely through voluntary contributions from a relatively small number of private companies, accounting firms, international organisations and central banks. However, as the demands on and expectations for the IASC Foundation and the IASB continue to grow, the need to develop a sustainable funding model for the organisation becomes more apparent.

After consulting many interested parties, the Trustees concluded that the present system of funding, relying on a small number of voluntary contributions, would not be sustainable on a global basis. The Trustees also considered an internationally-applied mandatory levy system. Such a system would require a regulatory or legislative act in the relevant jurisdictions before implementation. The Trustees doubted the feasibility of creating a mandatory system on an international basis in time for 2008, when the existing commitments expired.

In June 2006, the Trustees agreed on four elements that should govern the establishment of a funding scheme. It was agreed that such a system must enable the IASC Foundation to remain an independent, private sector organisation with the necessary resources to conduct its work in a timely fashion. Characteristics of the new scheme for 2008 would be:

- **Broad-based:** Fewer than 200 companies and organisations participate in the present financing system. 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 ensure diversification of sources.
- **Compelling:** Any 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 International Accounting Standards Board.
- **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.

‘FEE is grateful to IASB for its contribution to the ongoing debate on convergence and also for its efforts to develop an accounting standard appropriate for non-public interest entities’

Jacques Potdevin, President,
Fédération des Experts Comptables Européens

Throughout 2006 and the first part of 2007, the Trustees have made progress towards achieving this objective. The endorsement of these principles by the EU Finance Ministers in July 2006 provided additional momentum. For the 2006 financial year, broad-based regimes were in place in Australia, France, Germany, Italy, Japan and New Zealand. This is reflected in the rise in the number of contributing organisations from 182 in 2005 to 286 in 2006, while the total value of contributions increased from £9.4 million (US\$17.1 million) in 2005 to £10.4 million (US\$19.0 million) in 2006. In terms of 2008 and beyond, the large majority of other EU countries and other major economies are making progress on establishing national regimes.

While the Trustees have sought to achieve surpluses on an annual basis, and did so from 2001 to 2004, the IASC Foundation saw a decrease in its net assets of £311,175 in 2006. This loss should be put in the context of the success of the original contributions programme and hedging and investment strategy. The surpluses built in earlier years—when the demands on the organisation were fewer—have provided the Trustees with some flexibility to release funds when there would be a real benefit. Indeed, at the 2006 year-end and despite the small loss for the year, the IASC Foundation maintained cash and financial assets (sterling-denominated AAA bonds) of £12.5 million.

Specifically, in 2006 the Trustees recognised the need to devote additional resources for the IASB’s technical staff to achieve the goals laid out in the Memorandum of Understanding and to provide adequate support to the International Financial Reporting Interpretations Committee (IFRIC). Therefore, the organisation’s staff and related costs grew to £9.2 million in 2006 from £8.3 million in 2005, with the increase in technical staff accounting for nearly £700,000 of the change.

The additional staff resources made it necessary for the IASC Foundation to acquire additional space for its London headquarters. While in the long term the new deal reduces the average cost per square foot by 40 per cent, the one-off costs associated with the acquisition were an unbudgeted £123,143.

Recognising the likelihood that demands related to consultation and outreach, with the associated travel, will grow, the Trustees have prepared a tentative 2008 budget of £16 million to serve as the basis of the longer-term funding efforts. The Trustees have published this tentative budget on the IASC Foundation’s Website and will continue to monitor expenditures closely.

Maintaining a strong team

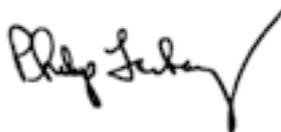
The success of the organisation depends upon the strength of the individuals involved. In May 2006, I assumed the Chairmanship of the Trustees after the departure of Tommaso Padoa-Schioppa, upon his appointment as Italian Finance Minister. In five short months, Tommaso played a major role in establishing our new funding system, building stronger ties with various stakeholder groups, and advancing oversight mechanisms.

My colleagues on the Trustees have been instrumental in ensuring a smooth transition. I was delighted that Bertrand Collomb, Chairman of Lafarge, agreed to serve as Vice Chairman. Demonstrating the broad interest in the project, the Trustees continue to attract top business leaders and former public servants, and the additions to the Trustees in 2006 and those joining in 2007 testify to that fact. Finally, I would like to thank Roy Andersen, Yves Fortier, and Cornelius Herkströter, who played an important role in the establishment of the organisation and retired at the end of the year.

An essential part of the organisation's progress has been the leadership of David Tweedie, and we are delighted that he has agreed to serve a second term as Chairman. In 2006 the Trustees continued to broaden their search for IASB members with a greater emphasis on practical experience. Philippe Danjou, the former chief accountant of the French securities regulator, joined the IASB in November, and we also announced the appointment of Zhang Wei-Guo, the Chief Accountant and Director General of the Department of International Affairs of the China Securities Regulatory Commission (CSRC). Dr Zhang will become the first Chinese IASB member.

We continue to emphasise the roles that both the Standards Advisory Council (SAC) and the IFRIC play in fulfilling the organisation's mission. Nelson Carvalho, the SAC's chairman, has provided new energy to the SAC, and we are working closely with the IASB, the SAC and him to ensure that the SAC is an effective sounding board for the IASB. The Trustees are also now focusing their search for IFRIC members on those who use IFRSs on a daily basis.

The progress made over the last seven years is real, raising expectations that the IASC Foundation will achieve its objective of a common set of high quality accounting principles used worldwide. None of this is to suggest that IFRSs are yet a global standard—we are at a crucial point in the development of IFRSs. We are certainly not complacent. The Trustees and the IASB recognise the relevance of our work to the world's economy and the wide range of interests at stake. It is up to us to make sure that we operate in a transparent and accountable manner, engage with and inform the main stakeholders on a timely basis, and develop standards that are of high quality, reflect economic reality, and are broadly respected.



Philip Laskawy

Chairman of the Trustees

Report of the Chairman of the IASB

Introduction

The year 2006 marked the completion of the fifth year of the IASB's operations. During that period the organisation made great strides towards its goal of a single set of high quality international standards used worldwide, with more than a hundred countries either requiring or permitting the use of International Financial Reporting Standards (IFRSs) for publicly traded companies. To prepare for the widespread adoption of IFRSs the IASB used much of its first five years to improve the set of standards inherited from our predecessor organisation. Then, in 2006, with adoption going relatively smoothly, the IASB focused on four major objectives:

- To increase the number of countries adopting IFRSs in order to facilitate the development of capital markets and improve transparency and comparability for investors.
- To continue the process of bringing about the convergence of IFRSs and national accounting standards still in use in the world's major capital markets.
- To ensure that interested parties have adequate time to participate in our due process and to implement IFRSs efficiently.
- To produce a draft of a standard for smaller entities.





‘For a multinational group such as Air France—KLM the adoption of IFRSs has been undoubtedly positive. The use of fair values, which should be kept reasonable and not become excessively systematic, has also improved readability and management.’

Philippe Calavia (CFO), Air France—KLM

More countries converge with IFRSs

During the year more countries announced that they would be moving to convergence with IFRSs. In February I attended a ceremony in Beijing in which the Chinese authorities released a suite of new accounting standards that will bring about substantial convergence between Chinese standards and IFRSs. The new standards were the culmination of what was, in my view, an extraordinary effort by the Ministry of Finance of the People’s Republic of China and the China Accounting Standards Committee, an effort in which IASB members and senior staff were delighted to have assisted.

Later in the year the Canadian Accounting Standards Board announced its decision that, over the coming five years, publicly accountable companies in Canada will move to financial reporting on the basis of IFRSs.

Throughout the year our convergence programme with the Accounting Standards Board of Japan continued apace.

A single set of global standards

In February 2006 the Board and the US national accounting standard-setter, the Financial Accounting Standards Board (FASB), published a Memorandum of Understanding outlining what had to be done by the two boards as a precondition for the US Securities and Exchange Commission’s removing by 2009 the requirement for foreign registrants using IFRSs to reconcile their financial statements to US generally accepted accounting principles (GAAP). The memorandum made two important general points. First, the boards would not be expected to achieve uniformity in their requirements: this lifted the prospect of having to concentrate on a possibly endless series of changes before the reconciliation requirement could be removed; instead the boards would simply align the major principles where differences existed. Second, it was agreed that to try to eliminate differences between two standards that are each in need of significant improvement would not be the best use of the boards’ resources; instead a new common standard would be developed that would improve financial information for investors.

The Board's goal is to have made significant progress by 2008 on eleven topics identified by both boards where the accounting requirements of both the IASB and the FASB are regarded as out of date and ripe for improvement. The work towards achieving this goal is described below. The programme of convergence with US GAAP will not necessarily produce identical financial statements in the short term. It will, however, result in close alignment of the accounting for the same or essentially the same transactions. Moreover, generally comparable trends and continued co-operation will reduce differences over time as well as giving a clear understanding of any remaining material differences.

Increased participation

The Board is aware that many interested parties would like to be more closely involved in the early stages of projects and to have greater opportunities to comment on, and perhaps help to shape the development of, proposed changes. Responding to that call the Board decided to publish the US standard SFAS 157 *Fair Value Measurements* as a discussion paper rather than as an exposure draft. This decision should enable those interested not only to comment on whether the guidance on how to measure fair value is sufficient or whether in their own jurisdiction more would be required but also to question the basic assumptions underlying the US standard. The Board will then have the benefit of this round of public consultation before proceeding with an exposure draft in 2008. As another example of its wish to respond to calls for wider consultation the Board, with the agreement of the FASB, changed its original plans to publish the revised chapters of the conceptual framework as exposure drafts; instead they will be published as discussion papers, thereby giving interested parties two opportunities to comment on the drafts.

As the use of IFRSs spreads, the Board has become increasingly aware of the difficulties facing some countries that are keen to keep a convergence programme with IFRSs up to date. First, for non-English speaking countries there is the need to translate IFRSs into their own language and secondly, where required, there is the process of transposing the standards into law. For this reason the Board has agreed that for all major standards a year will be allowed before their use becomes mandatory. The Board is also mindful that the number of new IFRSs and amendments in recent years has placed a substantial burden on companies both in understanding and implementing the required changes and in explaining to their investors the changes in the basis of their accounts. For these reasons the Board has decided to defer the effective date of any major new standards to 1 January 2009, thereby providing a period of calm before new pronouncements lead to changes of accounting policies.

A standard for smaller entities

Having published a discussion paper in 2004, and following a questionnaire and public round-table discussions on recognition and measurement issues affecting smaller companies, the Board prepared an exposure draft of an IFRS for Small and Medium-sized Entities (SMEs). The exposure draft was published in February 2007. Further details are given below.

‘Convergence of IFRSs and US GAAP will allow the United States and markets around the world to capitalize on the benefits of a single set of globally accepted accounting standards.’

**Christopher Cox, Chairman,
US Securities and Exchange
Commission**

‘Convergence to the IASB’s standards enhances comparability of financial reporting across national jurisdictions and paves the way for greater integration of financial institutions into global financial markets.’

Alexandre Tombini, Deputy Governor for Financial System Regulation,
Central Bank of Brazil

The technical programme

The Board’s technical agenda is largely determined by the joint convergence programme being undertaken with the FASB. As mentioned above, the Memorandum of Understanding agreed in February divided the work programme into two parts—the short-term programme concerned with aligning only the major principles in similar standards and a medium-term task of writing new common standards.

Short-term convergence

The short-term programme consists of four subjects to be considered by the IASB and a similar number by the FASB. Two further subjects are to be examined jointly. The Board’s progress on the subjects that it has undertaken is outlined below.

Segment reporting: IFRS 8 *Operating Segments* was issued in November 2006. The IFRS adopts the management approach to segment reporting set out in SFAS 131. By enabling entities to provide timely segment information at little extra cost, IFRS 8 gives users of financial statements the opportunity to evaluate the nature and financial effects of the business activities in which the entity is engaged and the economic environments in which it operates.

Borrowing costs: In May 2006 the Board published an exposure draft of proposed amendments to IAS 23 *Borrowing Costs*. The proposals were to reduce differences between IFRSs and US GAAP by eliminating one of the two accounting treatments in IAS 23 for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The application of only one method enhances comparability. The Board decided to eliminate the option of immediate recognition of such borrowing costs as an expense. Instead, borrowing costs should be capitalised to the extent that they are directly attributable to the acquisition, production or construction of a qualifying asset. The Board expects to issue the amendments around the end of the first quarter of 2007.

Joint ventures: The objective is to reduce differences between IFRSs and US GAAP by eliminating one of the two treatments in IAS 31 *Interests in Joint Ventures* for accounting for jointly controlled entities. Having decided to eliminate the option of proportionate consolidation, the Board discussed the definition of a joint venture. The Board decided that a venturer should account for its interest in a joint arrangement on the basis of the rights and obligations that arise from the contractual arrangement. If a venturer has direct interests in assets and liabilities of a joint arrangement, it should recognise its share in each asset and liability. If a venturer has an interest only in the net outcome of an economic activity using a group of assets and liabilities under joint control, it should recognise that interest using the equity method. The Board expects to publish an exposure draft of the proposals in the first half of 2007.

In addition, staff of the Australian Accounting Standards Board have undertaken research for a comprehensive review of joint venture accounting. The research they have completed so far is a helpful input to the analysis of control that the Board expects to include in a discussion paper on consolidated financial statements to be published in the second half of 2007.

Government grants: During 2005 the Board decided to defer its work on revision of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and on emission trading schemes. These projects are dependent on other project work, including that on revenue recognition and the revision of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Income taxes (joint project with the FASB): Tax is one of the largest and most common reconciling items for IFRS preparers registered in the US. Both IAS 12 *Income Taxes* and the US standard SFAS 109 *Accounting for Income Taxes* require the use of the temporary difference approach. The objective of the project is to achieve convergence in the way that the temporary difference approach is applied. The boards' aim has been to achieve convergence through the elimination of exceptions to the temporary difference approach, resulting in a higher quality, more principled standard for both boards.

The IASB and the FASB have discussed and reached common decisions on most issues in the project. The only major aspect on which they have not been able to agree is the treatment of uncertainty relating to tax. Differences between IFRSs and US GAAP in the treatment of uncertainties in general make reaching a common decision on tax uncertainties beyond the scope of a short-term convergence project. The Board expects to publish an exposure draft in the fourth quarter of 2007.

Impairment (joint project with the FASB): FASB and IASB staff are undertaking an analysis to determine the scope of this project, but the Board has yet to discuss this.



‘IFRSs will be of great help to the small and institutional investor but we should be careful that they are adopted in their entirety.

Otherwise, we will defeat the purpose.’

Claude Lamoureux,
President & CEO, Ontario
Teachers’ Pension Plan

Medium-term convergence

As mentioned earlier, the boards’ goal by 2008 is to have made significant progress in areas where the current accounting practices under US GAAP and IFRSs are regarded as needing improvement. With this aim, the boards are working on eleven joint projects, seven of which are on the active agenda, and four on the research agenda.

These joint projects will mostly not be completed by 2008. However, the boards understand that measurable progress by 2008 would fulfil their contribution as standard-setters to the SEC roadmap.

The joint work being undertaken also includes work on the boards’ conceptual frameworks.

Business combinations

The Board has continued to work jointly with the FASB on phase II of the Business Combinations project, with the objective of developing a single high quality standard on accounting for business combinations that can be used for both domestic and cross-border financial reporting. The boards published their proposals to revise or replace their existing standards for business combinations (IFRS 3 and SFAS 141) and consolidated financial statements (IAS 27 and ARB 51) in June 2005. Following a 120-day exposure period and round-table meetings in Norwalk and London the boards began redeliberating the proposals in January 2006. The boards expect to complete their redeliberations by April 2007 and to issue the revised standards, which will take effect from no earlier than 1 January 2009, in the second half of 2007. The boards have yet to decide whether any aspects of the proposals will require re-exposure.

Consolidation

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 tentatively decided to change the definition of control to focus on an entity’s assets and liabilities rather than the entity itself. Other topics discussed include special purpose entities, control without a majority of the voting rights (sometimes referred to as de facto control), investment companies and managed funds (fiduciary relationships). Even though this is not a joint project with the FASB, our staff have kept the FASB members and staff up to date with the Board’s tentative decisions. As a first step in the due process the Board expects to publish a discussion paper in the second half of 2007.



‘Australia was a leader with the successful adoption in 2005 of IFRSs and recognises their significant benefit to strengthening the global capital markets.’

Jeff Lucy, Commissioner, Australian Securities and Investment Commission

Fair value measurement guidance

IFRSs already require some assets, liabilities and equity instruments to be measured at fair value in some circumstances. The guidance on measuring fair value has been added to IFRSs piecemeal over many years as the IASB or its predecessor decided that fair value was the appropriate measurement attribute in given circumstances. As a result the guidance is dispersed across many standards and is not always consistent. Furthermore, the guidance is incomplete, in that it provides neither a clear measurement objective nor a robust measurement framework. This adds unnecessary complexity to IFRSs and contributes to diversity in practice. To address these issues, the IASB added a project on fair value measurements 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 an asset, liability or equity instrument to be measured at fair value. Because this project aims only to develop a framework for measuring fair value, it will neither introduce nor require any new fair value measurements.

As the first step in its deliberations, the IASB published a discussion paper in November 2006. The Board is seeking to ascertain whether the methodology proposed by the FASB is suitable for use worldwide, whether any of the principles in the US standard should be re-examined and whether further guidance may be necessary, particularly in emerging economies or where markets are not as deep and liquid as that of the US. Comments on this discussion paper are due by May 2007. The responses will be valuable to the IASB in developing an exposure draft of an IFRS on fair value measurement guidance, which it aims to publish in early 2008. The ensuing standard is likely to be issued in 2009.

‘The world is moving to IFRSs, and acceleration of convergence between Japanese GAAP and IFRSs will contribute to achieve this goal.’

Toshitaka Hagiwara, President,
Financial Accounting Standards Foundation, Japan,
and Chairman, Komatsu Ltd

Financial statement presentation

This project is being conducted in stages. Phase A of the project resulted in an exposure draft of proposed amendments to IAS 1 Presentation of Financial Statements—*A Revised Presentation*, which was published in March 2006. A summary and analysis of the comments received on the exposure draft have been presented to the Board and are posted on the Website. The revised IAS 1 is expected to be issued in 2007.

During 2006, the Board continued work with the FASB on phase B of the project. The project title has been changed to ‘Financial Statements Presentation’ to reflect that it encompasses all of the financial statements. The Board has agreed on working principles for the project, which focus on the fundamental issues for presentation and display of information in the financial statements. In addition it has discussed the application of the working principles to develop a ‘working’ format for the sections and categories for each financial statement. A discussion paper on phase B issues is expected to be published during 2007.

Revenue recognition

Over the past four years, the Board and the FASB have been developing an asset and liability model for revenue recognition. In this model, an entity would recognise revenue on the basis of changes in assets and liabilities, without consideration of additional criteria such as earnings or realisation. Both boards have narrowed the possible implementations of the asset and liability model to two broad versions. Under one version the performance obligations are initially measured at fair value (fair value model), and under the other they are initially measured by allocating the amount the customer has agreed to pay for a resource or service (customer consideration model).

The boards are now working towards publishing a discussion paper later in 2007. The objective of the paper will be to establish the basic structure of what an asset and liability model would entail for revenue recognition. It will illustrate and compare both the fair value and customer consideration models, thereby demonstrating how the main issues would be resolved under each.

Responses to the proposed discussion paper will then assist the boards in the next stage of the project as they develop a single common standard on revenue recognition.

Post-employment benefits (including pensions)

Post-employment benefits are an important financial reporting and public policy issue. Accounting for such benefits has long been criticised by both users and preparers of financial statements. Accordingly, in July 2006 the Board added a two-phase project to its agenda, to review all aspects of post-employment benefit accounting.

During the year, the Board started deliberations on the first phase, which aims to make limited, but significant, short-term improvements to IAS 19 by 2010. These include issues relating to the recognition and presentation of the components of defined benefit pension plans and the accounting for cash balance and similar plans. The Board is setting up a working group that will assist the staff by providing views and practical advice from a range of perspectives.

Leases

In July 2006 the Board voted to add a project on lease accounting to its agenda. This project is expected to lead to a fundamental revision of the way that lease contracts are treated in the financial statements both of lessees and of lessors. No discussions were held on this project in 2006. The staff have been working on papers to bring to the boards in 2007. A working group has been set up to help the staff in their research.

Research—Liabilities and equity

The FASB has a project to develop a comprehensive standard on accounting and reporting for instruments with characteristics of equity, liabilities, or both, and assets. Such a standard would improve financial reporting by providing users with decision-useful information about an entity's obligations to transfer assets or issue shares. The FASB has developed three models and is assessing and comparing them. I am hopeful that the Board will be able to publish, towards the end of 2007, a discussion paper using the FASB's work.

Research—Derecognition

The Memorandum of Understanding expects a due process document setting out the results of staff research on derecognition to be published by 2008. During the past year staff from both boards and a small group of board members have discussed the objective and scope of the staff-led research project on derecognition. It was agreed that the scope of the project should initially be focused on financial assets that are measured at fair value, and at a later stage the research should be extended to other areas of accounting. The staff research is considering whether the asset definition could be used as the foundation for a new approach to derecognition, ie if a financial asset does not meet the definition of an asset to the entity, then it should be derecognised or removed from an entity's balance sheet.

**‘We have welcomed
the development
of IFRSs and readily
adopted them.’**

Hon Lianne Dalziel, Minister
of Commerce, New Zealand

‘IFRSs are set to become the first successful move to develop a genuinely global language for accounting. As such, they represent a major step forward for both the business community and the accounting profession.’

Ken Wild, Global Leader of IFRS, Deloitte Touche Tohmatsu

Research—Financial instruments—improvement and simplification

In 2006 the boards agreed to a goal of publishing a due process document on financial instruments (as envisaged in the Memorandum of Understanding) by January 2008. The boards agreed that this document would, as far as possible, include the preliminary views of each board on how IAS 39 and SFAS 133 might be simplified and improved. The boards have started work towards achieving the agreed goal.

Research—Intangible assets

In 2006 work began on developing a proposal to add a project on intangible assets to the Board’s active agenda. The formal agenda proposal will be considered in 2007. The Board decided that the proposal should include the initial accounting for internally generated intangible assets and subsequent accounting for all intangible assets. These topics have the greatest potential to result in improvements to IAS 38 *Intangible Assets*. The Board also decided that the proposal should not encompass the initial accounting for intangible assets acquired in a business combination and subsequent accounting for goodwill.

Convergence of the conceptual frameworks

The boards continue to refine and update their existing frameworks with the objective of developing a common framework that both boards can use in developing financial reporting standards. The Conceptual Framework project is being conducted in eight phases. Of those, four are active: phase A *Objective and Qualitative Characteristics*, phase B *Elements and Recognition*, phase C *Measurement and* and phase D *Reporting Entity*.

In July 2006 the boards published their first due process document from the project—a 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*—for a comment period until November 2006. Collectively, the boards received nearly 180 comment letters. In 2007, the boards will begin to consider the comments and to redeliberate the major issues.

Research—management commentary

The IASB published in October 2005 a discussion paper prepared by staff of the standard-setters of Germany, New Zealand and the United Kingdom, and the Canadian Institute of Chartered Accountants. The comment period ended in April 2006. The paper attracted nearly 120 comment letters and, overall, their tone was positive. Respondents agreed that management commentary is an integral part of financial reporting. They also agreed with the project team's proposals on what should be included in management commentary. While a majority agreed that there is a need for requirements relating to management commentary, views are divided on the form the requirements should take: a standard or non-mandatory guidance. The Board has yet to reach tentative views on the recommendations in the discussion paper and whether to add the project to its agenda.

Research—extractive activities

The objective of this research project is to develop a discussion paper that considers accounting issues that are unique to upstream extractive activities in the minerals and oil and gas industries. The research is being undertaken by a team of national standard-setters from Australia, Canada, Norway and South Africa. In October 2006 the Board held an education session on the project and considered the project team's preliminary findings on suitable measurement bases for assets comprising minerals and oil and gas reserves and resources. The project team's research on measurement bases is continuing. Throughout 2006 the project team also worked with members of the Committee for Mineral Reserves International Reporting Standards and of the Society of Petroleum Engineers Oil and Gas Reserves Committee to identify the potential for achieving greater convergence or common understanding between minerals and oil and gas reserve and resource definitions. When completed, this review will assist the Board's future deliberations on the use of the reserve and resource definitions in international financial reporting.

Care and maintenance

Although the Board's resources are mainly dedicated to the convergence programme and other projects described above, the Board is also sponsoring some smaller projects that aim to clarify existing standards, as implementation issues arise.

Annual improvements process

During the year, the Board approved a procedure to deal with non-urgent, minor amendments to standards (termed the 'annual improvements process'). The procedure was developed to deal with the frequent need to make minor amendments to IFRSs. Such amendments, however minor, require due process and consideration. The new procedure aims to reduce the burden on the Board and interested parties by collecting and publishing in a single exposure draft all minor amendments identified over a year.



‘The economic benefits from having a common financial language and common audit standards are huge—convergence will enable those benefits to be realised. This is why IFAC has convergence at the top of its agenda.’

Ian Ball, CEO, International Federation of Accountants

The procedure envisaged is that, in the course of the year, the Board will discuss and decide on miscellaneous proposals for improvements to standards. In October each year, the Board will publish for comment an omnibus exposure draft. The exposure draft will allow 90 days for comment. The expectation is that the Board will consider the comments and reach conclusions in time for the resulting amendments to be issued in April each year. The effective date of the amendments is expected to be 1 January of the following year. The first omnibus exposure draft is expected to be published in October 2007 with the resulting amendments taking effect from January 2009.

IFRS 1 amendment

In response to concerns expressed by interested parties, the Board adopted a project to consider issues related to determining the cost of an investment in a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs. In some jurisdictions, the accounting for investments in subsidiaries in the separate financial statements of a parent has not been in accordance with IAS 27 *Consolidated and Separate Financial Statements*. In those circumstances, on transition to IFRSs it is difficult for entities to restate the cost of such investments in compliance with IAS 27. The purpose of the project is to identify a suitable exemption to restating cost in accordance with IAS 27 in circumstances where it is difficult to do so. The Board decided to propose relief that allows a parent to use a deemed cost for the subsidiary at the date of transition to IFRSs. The resulting exposure draft was published in January 2007.

IFRS 2 amendment

In February 2006 the Board published an exposure draft of its proposals to amend IFRS 2 *Share-based Payment*. The Board’s aims were to clarify the definition of vesting conditions and to provide guidance on the accounting treatment of cancellations by parties other than the entity. The Board received more than 50 comment letters and, after redeliberation, decided to finalise its initial proposals and to include additional implementation guidance. The amendment is expected to improve application of the IFRS and consistency with the equivalent US standard SFAS 123.



IAS 24—related party disclosures

The Board considered issues concerning related party disclosures that were raised in the course of its convergence discussions in China and Japan. As a result the Board decided to propose amendments to IAS 24 *Related Party Disclosures* to clarify and improve the definition of a related party, and to respond to concerns expressed about entities that are related only because they are either state-controlled or significantly influenced by the state. Interested parties had told the Board about the difficulties that these entities have in obtaining the information required by IAS 24. In many cases, the entities affected may not even know that they are related to others controlled or influenced by the state. The Board concluded that, for those entities affected, the cost of complying with IAS 24 is likely to outweigh the benefits of the disclosures to users of their financial statements. The Board therefore proposes an exemption, limited to those circumstances, in which it is clear that the related entities are not influencing each other. The exposure draft containing those proposals was published in February 2007.

IAS 32—puttable instruments

In 2006, the Board published an exposure draft of a possible amendment to IAS 32 *Financial Instruments: Presentation*, proposing that financial instruments that are puttable at fair value and meet specific criteria should be classified as equity. The proposed amendment would also require some obligations that arise on liquidation, to be classified as equity, if liquidation is either certain to occur (such as for a limited life entity), or occurs in other specific circumstances (such as upon the exit of a partner in a partnership). The comment deadline was in October, and the Board is redeliberating the proposals.

IAS 33—Earnings per share

The Board has considered amendments to IAS 33 *Earnings per Share* to maintain convergence with US GAAP. IAS 33 and the US equivalent, SFAS 128 *Earnings per Share*, are substantially the same. The FASB has proposed changes to the way in which options and warrants classified as liabilities are included in calculations of diluted earnings per share. As a result, the Board is considering making similar changes to IAS 33.

‘Convergence of national standards with IFRS is an essential pre-requisite for a rapidly developing economy like India, which seeks to exploit fully the opportunities provided by globalization, and secure for itself its rightful place in the larger world economy’.

Y H Malegam, Chairman,
National Accounting Standards Advisory Committee, India

IFRIC activities

In May 2006, the Trustees followed up their earlier consultation on the operations of the International Financial Reporting Interpretations Committee (IFRIC), by publishing for comment a draft handbook on the IFRIC’s due process. The comments received concentrated on two main themes: the role of the IFRIC’s Agenda Committee and the status of the guidance contained in published notes of IFRIC agenda decisions. After considering the comments, as well as the views of the Board and the IFRIC, the Trustees decided in January 2007 that all meetings at which potential agenda items are discussed should be held in public. They continued to support publication of decisions not to take items on to the IFRIC agenda, observing that such guidance, although not authoritative, served a useful purpose similar to that of the implementation guidance accompanying IFRSs.

In 2006 four Interpretations were issued, and three draft Interpretations and 27 decisions not to take items on to the IFRIC agenda were published. The Interpretations included IFRIC 12 *Service Concession Arrangements*—by far the largest and most complex project that the IFRIC has undertaken. Although many commentators thought the subject too much for its resources, the IFRIC persevered with the assignment in response to appeals from European and other operators of large public-to-private service concessions, which needed guidance on the application of IFRSs to their projects. The IFRIC staff consulted operators closely in developing the Interpretation and the Board convened a final public consultation on the subject before approving the IFRIC’s proposals. Major operators with a wide variety of concessions confirmed their view that the outcome reflected the underlying economics in a straightforward and satisfactory way and brought much needed comparability to the reporting of service concession arrangements.

From the early part of the year, the IFRIC’s resources were strengthened to comprise four staff under the IFRIC Co-ordinator, specifically dedicated to servicing the IFRIC. On some subjects it continues to be necessary to involve a specialist IASB staff member, but the creation of the IFRIC team has greatly improved the staff’s ability to maintain a steady flow of issues to the IFRIC.



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 2006 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 ran 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. The roadshows were held in ten European countries (including Russia and Turkey), in Asia (China, Japan, Korea and Singapore), South America (Brazil and Mexico), Israel, South Africa and the United States. Feedback from those meetings is valuable in enabling the Board to assess the particular difficulties in accepting the Board's standards. As the year closed, further roadshows were planned for Australia, Hong Kong, and India. In addition, we arranged through the Foundation a conference in April 2006 in Germany, focusing on convergence, and including presentations by leading users and preparers and those regulating global accounting standards. The conference was attended by nearly 400 people from over 40 countries. It was so well received by those attending that we have decided to arrange two conferences in 2007, one in Europe and another in Asia.

Standards Advisory Council

Following the Trustees' formation of the restructured Standards Advisory Council in October 2005, the Council met three times in 2006. 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.

Changes in membership

The appointment of four Board members expired in June. One of those members, Geoff Whittington, did not seek renewal. Having worked with Geoff at the UK Accounting Standards Board since 1990 and latterly with the IASB since 2001 I shall greatly miss his uniquely incisive contribution to the debates on standard-setting and wish him a richly deserved retirement. The Trustees reappointed for a second term the other three retiring Board members, Hans-Georg Bruns*, Warren McGregor and Tatsumi Yamada, each of whom would serve a further term of five years. In November, we also welcomed Philippe Danjou, the Chief Accountant of the French securities regulator, to the IASB.

Two full-time Board members—Tony Cope and Tricia O'Malley—are due to retire in 2007 and are not eligible for reappointment. To fill one of those vacancies the Trustees announced in November the appointment of Zhang Wei-Guo, at present the Chief Accountant and Director General of the Department of International Affairs of the China Securities Regulatory Commission. The other vacancy will be 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 April 2006 one member of the IFRIC—Ken Wild (National Director of Accounting and Audit at Deloitte & Touche LLP in the UK and Deloitte Touche Tohmatsu's Global Leader of IFRS)—had his term renewed. In June three members of the IFRIC retired—Shunichi Toyoda (NEC Corporation), Leo van der Tas (Partner, Ernst & Young, The Netherlands) and Patricia Walters (President, Disclosure Analytics, Inc). In their place the Trustees appointed Sara York Kenny (Principal Accounting Advisor to the International Finance Corporation, World Bank Group), Takatsugu Ochi (General Manager of Planning and Administration Department, Financial Resources Management Group, Sumitomo Corporation, Japan) and Ruth Picker (Partner, Technical Consulting Group, Ernst & Young, Australia).

* Subsequently, in January 2007, Mr Bruns announced that he wished to retire from the Board with effect from 30 June 2007 in order to spend more time with his family.





Staffing

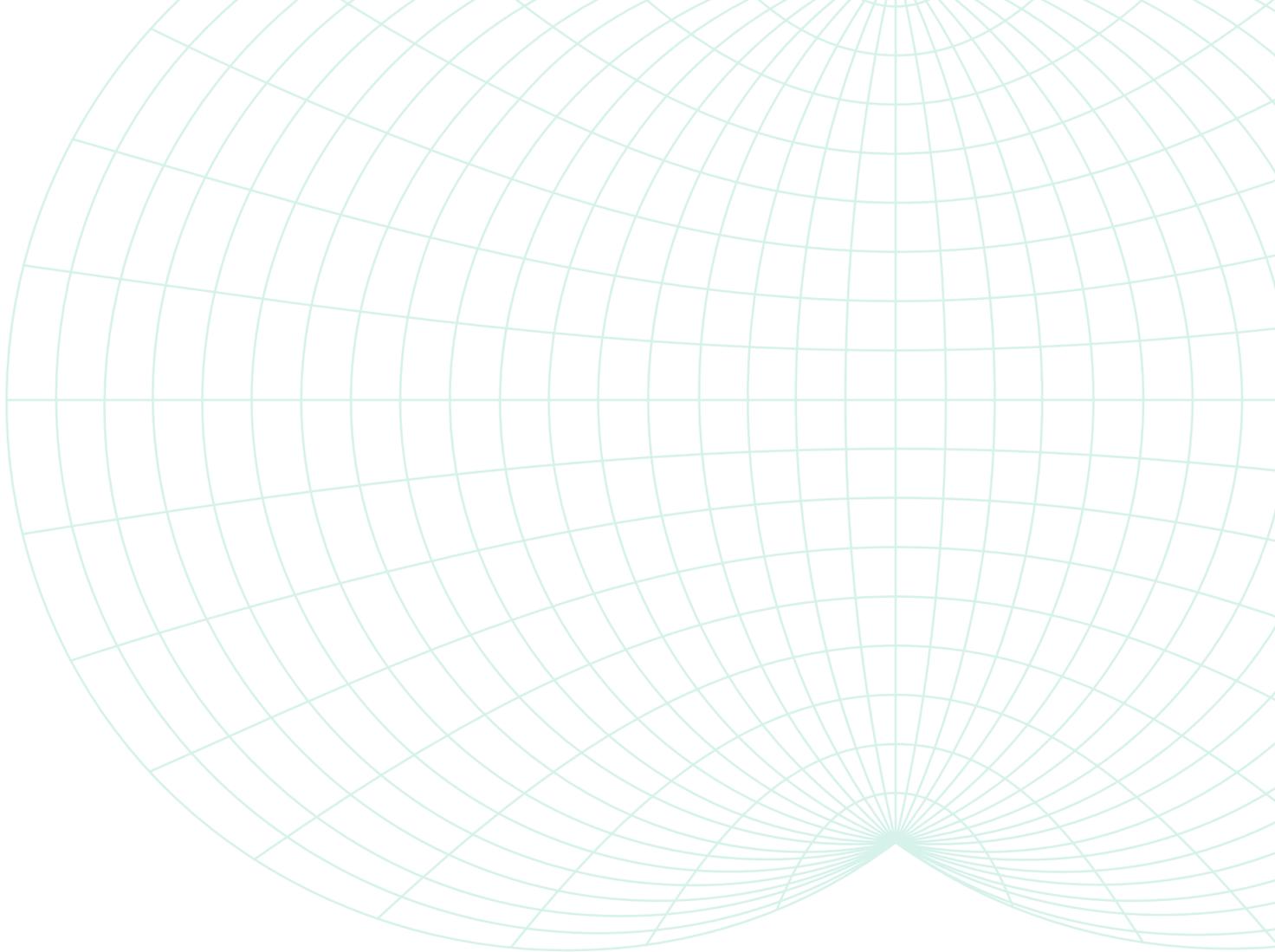
As befits an international organisation, the IASB attracts staff from all over the world, some on temporary assignments to London, others for a longer time before moving on to new challenges, usually in their native land. There is therefore a steady turnover of people working at Cannon Street.

There were several departures of technical staff. Project manager Eduardo Manso Ponte returned to his native Spain to take up a post with IOSCO. Two visiting fellows left on completing their secondments: Kil-woo Lee returned to the Korea Accounting Standards Board and Zhang Xiangzhi returned to his native China to resume his work at the Ministry of Finance in Beijing. Industry fellow Noreen Whelan returned to General Electric in the UK.

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:

- Hilary Eastman (US)
- Colin Edwards (UK)*
- Denise Gomez Soto (Mexico)
- Caron Hughes (UK)
- Ewa Kwiatkowska (Poland)
- Sebastien Landry (France)*
- Eiko Osawa (Japan)*
- April Pitman (Canada).

There were also some changes among the operational staff. In June Kelly Harvey (from the UK) joined the IASC Foundation as an Accounts Assistant. In December Mark Byatt (also from the UK) arrived to fill the newly created post of Director of Corporate Communications. His appointment reflects the wish of the Trustees and the Board to improve the organisation's communications activities and to develop closer working relationships with its stakeholders and other parties with an interest in standard-setting. Immediately before taking up his appointment Mark ran corporate communications for BDO Stoy Hayward, and before that spent seven years as Group Marketing Director for Morse plc.



In September, Larissa Nixon, database administrator, left to return to her native New Zealand. In October, Mark Sproul, Web content manager, returned to his native Scotland to take up a Web management post at Napier University, Edinburgh, and Stefan de Greling, fundraising manager, left to take up a new position in Brussels.

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.

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 Tommaso Padoa-Schioppa, as Chairman of the Trustees until May 2006, and to his successor Phil Laskawy and 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.

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 while the whole organisation benefits 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 and Janet Smy—for keeping us pointed in the right direction and ensuring that we turn up at meetings at the right time with the appropriate materials.



David Tweedie
Chairman of the IASB

We have audited the financial statements of the International Accounting Standards Committee Foundation (IASC Foundation), for the year ended 31 December 2006, which comprise the Statement of Activities, the Statement of Financial Position, the Cash Flow Statement 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 are properly prepared in accordance with International Financial Reporting Standards. We also report to you, if in our opinion, the IASC Foundation has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the IASC Foundation is not disclosed.

Our report has been prepared pursuant to the requirements of our engagement letter to you dated 7 February 2007 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 7 February 2007 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 Trustees 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 2006 and of its change in net assets for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.



BDO Stoy Hayward LLP
Chartered Accountants
London
3 April 2007

STATEMENT OF ACTIVITIES

Year ended 31 December

	Notes	2006 £'000	2005 £'000
REVENUES			
Contributions	3	10,382	9,374
Revenues from publications and related activities	4	5,058	4,514
Interest income		568	534
Other income		25	27
		16,033	14,449
Less direct cost of sales from publications and related activities	4	(2,922)	(2,753)
		13,111	11,696
OPERATING EXPENSES			
Salaries, wages and benefits	5	9,177	8,316
Accommodation	6	1,238	984
Board meetings		822	781
Committees		419	394
Travel for consultations		468	323
External relations		121	136
Fundraising	3	72	-
Audit, legal & taxation		166	121
Communications		263	261
Other costs		153	167
Total operating expenses		12,899	11,483
TRUSTEES' COSTS			
Fees	7	436	333
Meeting expenses		198	208
		634	541
Total expenses		13,533	12,024
EXPENSES IN EXCESS OF REVENUES			
		(422)	(328)
Changes in fair value of financial instruments		159	(915)
Foreign exchange gains		3	681
Portfolio management fee		(14)	(14)
Taxation	8	(37)	-
(DECREASE)/INCREASE IN NET ASSETS		(311)	(576)
Net assets at beginning of year		11,354	11,930
NET ASSETS AT END OF YEAR		11,043	11,354

The notes on pages 32 and 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	2006 £'000	2005 £'000
ASSETS			
Non-current assets			
Leasehold property, leasehold improvements, furniture and equipment	9	318	430
Financial assets	10	5,974	5,101
		6,292	5,531
Current assets			
Derivative financial assets	10	295	-
Accrued interest receivable on bonds		81	78
Financial assets	10	1,152	1,438
Cash at bank and in hand	10	5,371	6,104
Contributions receivable	3	305	180
Taxation recoverable		-	26
Stocks and work in progress	11	64	67
Other receivables		282	280
Prepaid expenses		378	361
		7,928	8,534
TOTAL ASSETS		14,220	14,065
LIABILITIES			
Non-current liabilities			
Contributions received in advance	3	-	128
Publication revenue received in advance		5	-
Rent premium received on assumption of leases	6	50	119
		<u>55</u>	<u>247</u>
Current liabilities			
Contributions received in advance	3	365	192
Rent premium received on assumption of leases	6	69	70
Publications revenue received in advance		748	740
Accrued expenses and sundry creditors		1,940	1,462
		<u>3,122</u>	<u>2,464</u>
TOTAL LIABILITIES		3,177	2,711
NET ASSETS		11,043	11,354

CASH FLOW STATEMENT

Year ended 31 December

	Notes	2006 £'000	2005 £'000
OPERATING ACTIVITIES			
Contributions		10,302	9,744
Cash receipts from customers		5,005	4,729
Other receipts		32	32
Cash paid to suppliers and employees:			
Operating expenses		(12,274)	(11,721)
Publications direct expenses		(2,929)	(3,103)
Trustees' costs		(573)	(546)
Taxation		(11)	0
Net cash from operating activities		(448)	(865)
INVESTING ACTIVITIES			
Purchase of bonds		(2,196)	(2,162)
Matured bonds receipts		1,415	1,011
Interest received		624	562
Purchase of furniture and equipment		(96)	(95)
Leasehold property and leasehold improvements		(20)	(55)
Portfolio management fee		(14)	(14)
Foreign exchange gains		217	679
Net cash decrease from investing activities		(70)	(74)
Effects of exchange rate changes on cash and cash equivalents		(214)	2
NET DECREASE IN CASH AND CASH EQUIVALENTS		(733)	(937)
Cash and cash equivalents at beginning of period		6,104	7,041
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	5,371	6,104

The notes on pages 32 and 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. LEGAL FORM, OBJECTIVES AND RESTRUCTURING

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

The objectives of the IASC Foundation are:

- 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;
- to promote the use and rigorous application of those standards;
- 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
- to bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards to high quality solutions.

The IASC Foundation has two main bodies, the Trustees and 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 raise the funds needed, whereas the IASB has sole responsibility for setting accounting standards in accordance with its mandate set out in the IASC Foundation Constitution.

Beginning with commitments for financial year 2001, the Trustees raised funds to cover costs associated with the reorganisation of the IASC Foundation and ongoing operations. Additionally, the Trustees sought to provide confidence that the IASC Foundation would have sufficient funds to operate in future years. The large majority of the initial funds were pledged on a multi-year basis to secure financing through to the end of 2005.

During 2005 the Trustees pursued a financing solution on two tracks. First, the Trustees sought and obtained two-year extensions of the initial commitments and new sources of funding to compensate for the depreciation of the US dollar. This process proved successful with the Trustees expanding their resources of funding and providing necessary revenue for 2006 and 2007. Second, the Trustees are implementing an agreed plan for establishing a sustainable, broadly-based funding system for 2008 and beyond. Work has commenced, and significant commitments should be in place by the end of the first half of 2007.

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.

(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 only printing costs and other direct costs including publications department salaries, promotion, and certain computer costs. The direct costs do not include other costs of publishing standards, including costs of Trustees or 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) Stocks and work-in-progress

Stocks and work-in-progress 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.

(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 Activities.

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 same as previous years: investments in bonds are recognised at fair value, and the corresponding gains or losses are included in the Statement of Activities.

(i) Derivative financial assets

Derivative financial instruments (forward contracts in 2005 and zero-cost collars in 2006 and 2007) were 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 Activities.

3. CONTRIBUTIONS

When the IASC Foundation was incorporated in 2001, the IASC Foundation Trustees asked contributors to make five-year pledges. The first round of funding expired in 2005. To cover a two-year period while the Trustees investigated other financing mechanisms, the Trustees sought two-year extensions from the original group of contributors and contributions from new sources. As of 7 February 2007, the Trustees achieved the following pledges under the interim system. The pledges are primarily in US\$.

Date	7 Feb 2007	15 Feb 2006
	\$'000	\$'000
2006		16,142
2007	19,672	16,063

The US dollars have been translated at the financial year-end rate of US \$1.9586 to £1 (2005: US\$1.7188). For convenience purposes, the sterling equivalents follow:

Year	Feb 2007	15 Feb 2006
	£'000	£'000
2006		9,392
2007	10,044	9,345

Contributions received before 31 December 2006, amounting to £364,882 (2005: £320,000), were specifically designated by the contributors for use by the IASC Foundation in subsequent years, and were recognised as current and non-current liabilities respectively. Contributions received or confirmed after 31 December 2006, amounting to a total of £305,298 (2005: £180,000) specifically designated by the contributors for use by the IASC Foundation in 2006 were recognised as revenues at the end of 2006.

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

- 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.

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 counsel in 2006 was £72,234.

4. PUBLICATIONS AND RELATED ACTIVITIES

(A) PUBLICATIONS AND RELATED REVENUE

	2006	2005
	£'000	£'000
Sales of subscriptions and publications	3,997	3,756
Royalties and permission fees	936	610
Other related activities	125	148
	<u>5,058</u>	<u>4,514</u>

(B) PUBLICATIONS AND RELATED COST

	2006	2005
	£'000	£'000
Salaries	1,121	1,034
Cost of goods sold	371	317
Other costs	1,430	1,402
	<u>2,922</u>	<u>2,753</u>

5. EMPLOYEES

The IASC Foundation had an average of 76 employees (including IASB members and interns) during 2006 (2005: 67).

	2006		2005	
	£'000	£'000	£'000	£'000
Staff costs, including IASB members' salaries and other costs	8,647		7,904	
Contributions to defined contribution pension plans	394		321	
Recruitment and relocation costs	136		91	
		9,177		8,316
Direct staff costs included in publications direct expenses:				
Salaries and other costs	1,031		905	
Contributions to defined contribution pension plans	70		57	
Recruitment and relocation costs	20		72	
		1,121		1,034
		<u>10,298</u>		<u>9,350</u>

In 2006, the total cost for the 14 IASB members' salaries, including all applicable employment taxes and benefits amounted to £4,650,212 (2005: £4,624,212). In order to account for the fact that a large number of IASB members work outside the United Kingdom for the majority of their time, the Trustees agree upon an annual compensation budget for each of the IASB members inclusive of all employer contributions for tax and benefits. In March 2005, the Trustees approved the following compensation budgets: £439,192 per year for the IASB Chairman (2005: £439,192),

£356,847 per year for full-time members (2005: £356,847) and £178,423 per year for part-time members (2005: £178,423).

6. ACCOMMODATION

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 part of the ground floor of 30 Cannon Street. Both leases expire in September 2008. In December 2006 a new lease was signed for additional space 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 part 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 will be recognised as a reduction in accommodation expense over the remaining term of the lease to September 2008. At the balance sheet date the balance outstanding in this regard and the remaining value of Cannon Street leases was £119,000 (2005: £187,000), of which £50,000 (2005: £117,000) is a non-current liability and £69,000 is a current liability (2005: £70,000).

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 expenditures and a provision of 90 days' notice of termination.

Payments on the leases, excluding service charges and property rates (currently about 39.0 per cent of the lease payments) are due as follows:

	Payments	
	2006	2005
	£'000	£'000
Operating leases that expire:		
Less than one year	665	665
In two to five years	2,455	1,164
Later than five years	5,242	-
Total	<u>8,362</u>	<u>1,829</u>

7. TRUSTEES' COSTS

The Trustees are remunerated by annual and meeting fees and are reimbursed for the expenses of their travel on IASC Foundation business. In 2006 the annual fee for the Chairman of the Trustees reverted to £25,000 upon the appointment of Philip Laskawy. During the tenure of Tommaso Padoa-Schioppa the agreed annual fee was £75,000. The annual fee for the other Trustees was £12,500 (2005: £12,500). Trustees received a fee of £1,000 (2005: £1,000) for each formal meeting of the Trustees or of any of the Trustees' committees.

8. 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, tax is calculated on the basis of a notional trade, where publications revenue is offset by both direct and indirect costs of developing the published materials

The taxation charge of £36,686 relates to the year 2001. As a result of the agreement with the UK authorities no tax is payable for the years 2002-2006 as the notional trade calculation produces a loss. At the end of 2006 the IASC Foundation is carrying forward a loss for UK tax purposes of £658,934 (2005: £573,140). Consistently with IAS 12, the IASC Foundation does not recognise this loss as a deferred tax asset, due to the uncertainty connected to utilising this in the future.

9. LEASEHOLD PROPERTY, LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

	Leasehold property improvements	Leasehold improvements	Furniture, equipment	2006 total	2005 total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2006	65	642	621	1328	1,252
Additions	-	20	86	106	80
Disposals	-	-	(53)	(53)	(6)
At 31 December 2006	65	662	654	1,381	1,326
Depreciation					
At 1 January 2006	36	386	476	898	686
Charge for the year	29	98	91	218	212
Disposals	-	-	(53)	(53)	(2)
At 31 December 2006	65	484	514	1,063	896
Net carrying amount					
At 31 December 2006	-	178	140	318	
At 31 December 2005	28	256	145		430

Capital commitment

At the balance sheet date the IASC Foundation had signed a contract for the fitting out costs of the new space acquired on the ground floor of 30 Cannon Street. The value of this contract was just under £200,000 (2005: £nil).

Leased Assets

In the year the IASC Foundation entered into a finance lease to purchase new IT equipment. The capital value of the purchase was £42,000 (2005: £nil), and all payments will be made within the calendar year 2007.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The IASC Foundation holds sterling-denominated fixed rate bonds. 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.

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

	Notional amount	Fair value	Notional amount	Fair value
	2006	2006	2005	2005
	£'000	£'000	£'000	£'000
in less than one year	1,145	1,152	1,415	1,438
in more than one year but not more than two years	3,148	3,145	1,145	1,181
in more than two years but not more than three years	1,335	1,343	3,148	3,226
in more than three years but not more than four years	1,504	1,486	670	694
	<u>7,132</u>	<u>7,126</u>	<u>6,378</u>	<u>6,539</u>

Bonds pay interest every 12 months. The nominal interest of the bonds is within a range of 4.5% to 7.25% (2005: 4.5% to 8.5%) and the effective interest rate is within a range of 4.55% to 7.12% (2005: 4.48% to 6.86%).

	Fair value	Fair value
	2006	2005
	£'000	£'000
Derivatives	295	-

The fair value of investments and derivatives is based on quoted market price

Cash at bank and in hand comprises the following:

	Effective interest rates			
	2006	2005	2006	2005
	£'000	£'000	%	%
Bank sterling deposits due after 7 days, within one month in Geneva	3,342	5,400	5.10	4.55
Bank sterling deposit due within 7 days in London	-	-	-	-
Cash and bank deposits due on demand:				
Sterling (cash) in London	5	3	0.50	0.50
Sterling in London	992	81	0.95	0.95
Euro in London	44	346	-	-
US dollars in London	43	21	0.75	0.75
US dollars in New York	920	254	-	-
Sterling and US dollars in Geneva	25	(1)	-	-
	<u>5,371</u>	<u>6,104</u>		

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. 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 Geneva accounts are managed by the Trustees of the IASC Foundation.

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

11. STOCKS AND WORK IN PROGRESS

Stocks of books amount to £ 64,110 (2005: £66,637).

12. COPYRIGHT LITIGATION

The dispute regarding copyright relating to a 1998 and 1999 Russian translation of International Financial Reporting Standards has been settled. All claims asserted by the parties against each other have been dismissed and the settlement is structured in a manner that ensures there will be no future litigation. The cost of the settlement is included in the direct cost of sales of publications and related activities.

13. FINANCIAL RISK MANAGEMENT STRATEGY

The expenditures in the IASC Foundation's operating budget are largely in sterling, whereas the organisation has received contribution pledges in US dollars to cover the cost of operating the IASB and other overhead costs first to the end of the year 2005, and then extended through 2007. As a result the Trustees have implemented a strategy to mitigate the foreign exchange fluctuation and timing risks connected with the voluntary contributions.

To address the exchange rate risk, the Trustees entered into a series of forward contracts for 2005 and adopted a collar strategy for 2006 and 2007 to provide a fixed sterling equivalent from the US dollar contributions. In 2005, this amount approximated 90 per cent of the projected budget. In 2006 and 2007, the IASC Foundation hedged US\$9.5 million in US dollars each year. Details regarding the transactions are in note 10.

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 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 they are not fulfilled.

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Trustees of the IASC Foundation on 3 April 2007 and authorised for issue on 3 April 2007.

Preface to International Financial Reporting Standards

Framework for the Preparation and Presentation of Financial Statements

International Financial Reporting 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
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 IFRSs

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 <i>Financial Reporting in Hyperinflationary Economies</i>
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
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	Disclosure—Service Concession Arrangements†
SIC-31	Revenue—Barter Transactions Involving Advertising Services
SIC-32	Intangible Assets—Web Site Costs

* being superseded by IFRS 8

† Title amended by IFRIC 12 as *Service Concession Arrangements: Disclosures*

TRUSTEES OF THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE FOUNDATION

As at 31 December 2006

Name and Affiliation	Term Expires	Name and Affiliation	Term Expires
Philip A Laskawy, Chairman Retired Chairman, Ernst & Young International <i>United States</i>	December 2009*	Zhongli Liu President, Chinese Institute of Certified Public Accountants; former Minister, Ministry of Finance, People's Republic of China <i>China</i>	December 2008
Bertrand Collomb, Vice Chairman Chairman, Association Française des Entreprises Privées; Chairman, Lafarge <i>France</i>	December 2009	William McDonough Vice Chairman and Special Advisor to the Chairman, Merrill Lynch and Company <i>United States</i>	December 2008
Roy Andersen Chairman, Sanlam Ltd <i>South Africa</i>	December 2006	Sir Bryan Nicholson Former Chairman, Financial Reporting Council, UK <i>United Kingdom</i>	December 2008
Marvin Cheung Retired Chairman of KPMG Hong Kong, Hong Kong SAR <i>People's Republic of China</i>	December 2008	David Shedlarz Vice Chairman, Pfizer Inc <i>United States</i>	December 2008
Samuel A DiPiazza Jr Chief Executive Office, PricewaterhouseCoopers <i>United States</i>	December 2008	Roberto Teixeira da Costa First Chairman, Brazilian Securities and Exchange Commission - CVM <i>Brazil</i>	December 2007
Oscar Fanjul Vice Chairman, Omega Capital; Former Chairman and CEO, Repsol <i>Spain</i>	December 2007	T V Mohandas Pai Chairman of the Board, Infosys BPO Limited, <i>India</i>	December 2008
L Yves Fortier Chairman, Ogilvy Renault, Barristers and Solicitors; Former Ambassador of Canada to the United Nations <i>Canada</i>	December 2006	Junichi Ujiie Chairman, Nomura Holdings Inc, Japan <i>Japan</i>	December 2008
Tsuguoki (Aki) Fujinuma Chairman and President, Japanese Institute of Certified Public Accountants (JICPA) <i>Japan</i>	December 2007	Antonio Vegezzi Vice-Chairman, Capital International <i>Switzerland</i>	December 2007
Cornelius Herkströter Former President, Royal Dutch Petroleum and Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group <i>The Netherlands</i>	December 2006	Appointed 1 January 2007	
Richard G Humphry Former CEO of the Australian Stock Exchange; Director, HSBC Australia, United Group Ltd, MBF <i>Australia</i>	December 2007	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 <i>South Africa</i>	December 2009
Max Dietrich Kley Member of the Supervisory Board, BASF AG <i>Germany</i>	December 2008	David Sidwell Executive Vice President and Chief Financial Officer, Morgan Stanley <i>United States</i>	December 2009
Malcolm D Knight General Manager, Bank for International Settlements <i>International Organisation</i>	December 2007	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 <i>The Netherlands</i>	December 2009
Alicja Kornasiewicz Member of the Board of CA IB Corporate Finance GmbH, Vienna, and CEO and Chairman of CA IB Group in Poland <i>Poland</i>	December 2007	Paul Tellier Corporate Director and Former President and CEO of Bombardier and CN; former Clerk of the Privy Council and Secretary of the Cabinet <i>Canada</i>	December 2009

* Announced intention to step down upon appointment of successor

INTERNATIONAL ACCOUNTING STANDARDS BOARD

At 31 December 2006



Sir David Tweedie, Chairman

Term expires 30 June 2011
Before joining the IASB, he served as the first full-time Chairman of the UK ASB, 1990-2000.



Thomas E Jones, Vice-Chairman

Term expires 30 June 2009
Formerly Principal Financial Officer of Citicorp and last Chairman of the IASC Board. He spent most of his professional career in Belgium, France, Italy and the United States.



Mary E Barth

Term expires 30 June 2009
Professor of Accounting at the Graduate School of Business at Stanford University, she is one of the IASB's two part-time members.



Hans-Georg Bruns

Term expires 30 June 2011*
Formerly Chief Accounting Officer for DaimlerChrysler. He was head of a working group of the German ASB.



Anthony T Cope

Term expires 30 June 2007
Before joining the IASB, he served as a member of the US FASB. He previously worked as a financial analyst in the United States for 30 years, ultimately becoming Director of Fixed Income Research, Wellington Management Co, in Boston.



Philippe Danjou

Term expires 30 June 2011
Formerly director of accounting of the Autorité des Marchés Financiers (AMF), the French securities regulator.



Jan Engström

Term expires 30 June 2009
Served in various senior positions, both in his native Sweden and in Latin America, in over 30 years with the Volvo Group. A member of the Volvo Group Management Board 1993-2003, he was the Group's Chief Financial Officer 1993-8 and Chief Executive Officer of Volvo Bus Corporation 1998-2003.



Robert P Garnett

Term expires 30 June 2010
Formerly Executive Vice President of Finance for Anglo American plc, a South African company listed on the London Stock Exchange, he has worked as a preparer and analyst of financial statements throughout his career.



Gilbert Gélard

Term expires 30 June 2010
Formerly a partner at KPMG, he has extensive experience with French industry, including as a Deputy CFO with Groupe Hachette 1973-1982 and Deputy Group Comptroller with Elf Aquitaine 1982-1987.



James J Leisenring

Term expires 30 June 2010
Formerly Vice Chairman and, most recently, Director of International Activities of the US FASB. He has worked on issues related to accounting standard-setting over the last three decades.



Warren J McGregor

Term expires 30 June 2011
He worked on standard-setting for over 20 years at the Australian Accounting Research Foundation, where he ultimately became the Chief Executive Officer.



Patricia L O'Malley

Term expires 30 June 2007
Before joining the IASB, she served as Chair of the ASB of Canada, and was previously Technical Partner at KPMG Canada.



John T Smith

Term expires 30 June 2012
Was appointed to the IASB in September 2002. As a part-time member, he remains a partner in the national office of Deloitte & Touche (D&T) in the United States.



Tatsumi Yamada

Term expires 30 June 2011
He was previously a partner at ChuoAoyama Audit Corporation (a member firm of PricewaterhouseCoopers) in Tokyo.

* Announced retirement on 30 June 2007

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

At 31 December 2006

Name and Affiliation	Term Expires	Name and Affiliation	Term Expires
Philip D Ameen Vice President and Comptroller General Electric United States	30 June 2008	Ruth Picker Partner – Technical Consulting Group, Global IFRS Ernst & Young Australia	30 June 2009
Jeannot Blanchet Managing Director Morgan Stanley France	30 June 2007	Mary Tokar Seconded Partner KPMG IFRG Limited United States	30 June 2007
Michael E Bradbury Professor of Accounting Massey University New Zealand	30 June 2008	Ken Wild Global Leader of IFRS Deloitte Touche Tohmatsu United Kingdom	30 June 2009
Claudio De Conto General Manager Administration and Control Pirelli & C. S.p.A Italy	30 June 2008	Ian D Wright Global IFRS Leader PricewaterhouseCoopers United Kingdom	30 June 2007
Sara York Kenny Principal Accounting Advisor International Finance Corporation United States	30 June 2009		
Jean-Louis Lebrun Partner, Chairman of Governance Council Mazars France	30 June 2008	NON-VOTING CHAIRMAN Robert P Garnett Member, International Accounting Standards Board	
Domingo Mario Marchese Partner Marchese Grandi Meson & Asoc. Argentina	30 June 2007	OFFICIAL OBSERVERS European Commission The International Organization of Securities Commissions	
Takatsugu Ochi General Manager, Planning and Administration Department Sumitomo Corporation Japan	30 June 2009		

TRUSTEE APPOINTMENTS ADVISORY GROUP

Paul Volcker, Chairman
Former Chairman
US Federal Reserve Board

Jane Diplock
Chairperson
Executive Committee
International Organization of Securities Commissions

Mario Draghi
Chairman
Financial Stability Forum

Donald Kaberuka
President
African Development Bank

Haruhiko Kuroda
President and Chairperson
Asian Development Bank

Luis Alberto Moreno
President
Inter-American Development Bank

Rodrigo de Rato y Figaredo
Managing Director
International Monetary Fund

Jean-Claude Trichet
President
European Central Bank

Paul Wolfowitz
President
The World Bank

STANDARDS ADVISORY COUNCIL

As at 31 December 2006. Terms expire 31 December 2009.

CHAIRMAN

Nelson Carvalho

Professor,
University of São Paulo, Brazil, financial consultant and litigation expert and member of various Boards and Audit Committees, Brazil

AFRICA

Benoît Antoine Atangana Onana

President,
Institute of Chartered Accountants of Cameroon; Senior Partner and General Manager, African Consulting Enterprise, Member of National Higher Education Private Sector, Cameroon

Darrel Scott

Financial Officer,
FirstRand Bank Limited,
South Africa

ASIA-OCEANIA

Judith Downes

Chief Financial Officer and Chief Operating Officer,
Institutional, Australian & New Zealand Banking Group Ltd
Australia

Shailesh Haribhakti

Managing Partner of Haribhakti & Co.,
and CEO of Haribhakti Group
India

PM Kam

Group Financial Controller,
Jardine Matheson Ltd.
Hong Kong SAR, China

Rifaat Ahmed Abdel Karim

Secretary-General,
Islamic Financial Services Board
Malaysia

Suk-Jun Lee

Vice President,
Samsung Electronics Co., Ltd.
Republic of Korea

Danny Teoh

Managing Partner,
KPMG
Singapore

Eiko Tsujiyama

Professor,
Waseda University
Japan

Yoshiki Yagi

Board Director and Chairman of the Audit Committee, Hitachi
Japan

Wang Jun

Vice Minister, Ministry of Finance
People's Republic of China
China

EUROPE

José Antonio Alvarez

Chief Financial Officer,
Group Santander (SCH),
Spain

Sarah Deans

Vice President,
Corporate Research, Head of Accounting and Valuation Research, JP Morgan,
United Kingdom

Alberto Giussani

Partner, PricewaterhouseCoopers,
Italy

Mauro Grande

Director,
Financial Stability and Supervision,
European Central Bank

Ingebret Hisdal

Managing Partner, Deloitte
Norway

David Lindsell

Global Director,
IFRS Services, Ernst & Young,
United Kingdom

Patrice Marteau

Chairman, ACTEO,
France

Anna di Michele

Executive Director,
Products & Services – Investment Solutions & Advisory, UBS,
Italy

Heinz-Joachim Neubürger

Chairman of the Executive Board of the Accounting Standards Committee of Germany

Jochen Pape

Member of the Management Board,
PricewaterhouseCoopers, Germany and Head of the International Financial Reporting Centre, PwC Continental Europe

Vladimir Preobrazhenskiy

Deputy General Director for Economics and Finance, CFO, Siberian Coal Energy Company,
Russia

Hugo Schaub

Former Group Controller and Member of the Group Management Board, UBS,
Switzerland

Richard Thorpe

Member, Financial Reporting Committee of the Committee of European Securities Regulators (CESR-fin); Head of Accounting and Auditing Policy, UK Financial Services Authority

LATIN AMERICA

Hector Estruga

Retired partner and former Professional Practice Director for South America, Ernst & Young; currently consultant to E&Y; Member, CENCYA (Special Audit and Accounting Standards Committee), Argentine Federation of Professional Councils in Economic Sciences

Hector Vela Dib

Corporate Financing & Banking Relations Director for Spain, France, Italy, Middle East, Asia & Africa, Cemex España S.A.

MIDDLE EAST

Adir Inbar

Chairman,
Professional Board of the Institute of Certified Public Accountants in Israel; Professional Leader and Senior Audit Partner, Deloitte
Israel

NORTH AMERICA

Frank Brod

Corporate Vice President Finance and Administration and Chief Accounting Officer for Microsoft,
United States

Colleen Cunningham

President and CEO, Financial Executives International, replaced 1 January 2007 by
Michael Cangemi, President and CEO of Financial Executives International,
United States

Trevor Harris

Vice Chairman of Client Services,
Morgan Stanley,
United States

Patricia McConnell

Senior Managing Director, Bear, Stearns & Co., replaced 1 January 2007 by
Robert Morgan, Consultant in Corporate Finance,
Canada

INTERNATIONAL ORGANISATIONS (WITH DESIGNATED REPRESENTATIVES)

BASEL COMMITTEE OF BANKING SUPERVISORS

Arnold Schilder

Executive Director,
De Nederlandsche Bank
Replaced on 1 January 2007 by **Sylvie Matherat**,
Director of Research and Policy, French Banking Commission, Chair of Accounting Task Force Group of Basel Committee.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Henning Göbel

Economic Adviser, Federal Financial Supervisory Authority and Chair of the IAIS Accounting Subcommittee.

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, Canada, and **Christoph Ernst**, Head of the Accounting and Auditing Law Division of the Bundesministerium der Justiz, Germany

UNITED NATIONS CONFERENCE FOR TRADE AND DEVELOPMENT

Tatiana Krylova

Head, Investment and Enterprise Competitiveness Branch

WORLD BANK

Charles McDonough

Chief Accountant, Deputy Controller and Director of Accounting Department

2006 FINANCIAL SUPPORTERS¹

ACCOUNTING FIRMS (\$1,500,000 per year)

Deloitte Touche Tohmatsu
Ernst & Young
KPMG
PricewaterhouseCoopers

CORPORATE AND OTHER PRIVATE SECTOR SUPPORTERS

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Aegon Group N.V.
Air France- KLM
Air Liquide
Air Water Inc.
Aisin Seiki Co., Ltd.
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Allianz AG³
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BP plc
BT
Bull
Calbee Foods Co., Ltd.
Canon Inc.
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Carrefour
Casio Computer Co., Ltd.
Cemex S.A. de C.V.
Central Japan Railway Company
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Ciments Français
Citigroup, Inc.
Citizen Watch Co., Ltd.
CNP Assurances
Commerzbank AG
Companhia Vale do Rio Doce (CVRD)
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DaimlerChrysler
Denso Corporation
Dentsu Inc.
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Deutsche Bundesbank
Deutsche Post
Deutsche Telekom AG
Dexia
Dresdner Bank AG
E.ON AG
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EDF SA
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Euronext N.V.
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Fimalac
Fitch Ratings
Fortis SA-NV
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Fuji Television Network, Incorporated
Fuji Xerox Co., Ltd.
Fujitsu Limited
Gaz de France
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GlaxoSmithKline
Goldman Sachs Group, Inc.
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Hanwa Co., Ltd.
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Henkel KGaA
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Hitachi Capital Corporation
Hitachi High-Technologies Corporation
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Hitachi Metals, Ltd.
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Kajima Corporation
Kanto Auto Works, Ltd.
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Lafarge
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L'Oreal
LVMH
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Petroleo Brasileiro S.A.
Pfizer
Pioneer Corporation
PPR
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PSA Peugeot Citroën
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Bank of Canada
Bank of Greece
Bank of Japan
Bank of Korea
Board of Governors of the Federal Reserve System (US)
Central Bank of Ireland
Central Bank of the Russian Federation
European Central Bank
Financial Reporting Council of Australia⁵
Hong Kong Monetary Authority
International Bank for Reconstruction and Development (The World Bank)
International Monetary Fund
Monetary Authority of Singapore
Ministry of Finance, People's Republic of China
National Bank of Hungary
National Bank of Slovakia
Office of the Superintendent of Financial Institutions of Canada⁴
Reserve Bank of Australia
Reserve Bank of India
South African Reserve Bank
Swiss National Bank

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¹ Total of 283 financial supporters, including 124 Japanese donors paying through the Japanese Council for Better Corporate Citizenship, of which six organisations are not listed because they prefer to remain unnamed.

² All contributions from French companies and associations were channeled through *Association pour la participation des entreprises françaises à l'harmonisation comptable internationale* (ACTEO).

³ All contributions from German companies and associations were channeled through the *Deutsches Rechnungslegungs Standards Committee* (DRSC) e.V.

⁴ Its 2006 contribution arrived after the IASC Foundation's 2006 Financial Statements were closed.

⁵ The Australian Financial Reporting Council made its contribution on behalf of private and public sector stakeholders in the Australia accounting standard-setters process.

⁶ Contribution made on behalf of the Italian banking community.

⁷ Contribution made on behalf of the Italian business community.

CONTACT DETAILS

Location



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

How to find us

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

CONTACT NUMBERS

Board members and senior staff at 30 Cannon Street

Telephone +44 (0)20 7246 6410

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

Board Members

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

Senior IASB Technical Staff

Director of Technical Activities	
Elizabeth Hickey	+44 (0)20 7246 6458 ehickey@iasb.org
Director of Research	
Wayne Upton	+44 (0)20 7246 6449 wupton@iasb.org
Director of Standards for SMEs	
Paul Pacter	+44 (0)20 7246 6467 ppacter@iasb.org

Senior IASC Foundation Staff

Director of Operations	
Thomas Seidenstein	+44 (0)20 7246 6450 tseidenstein@iasb.org
Editorial Director	
Michael Butcher	+44 (0)20 7246 6942 mbutcher@iasb.org
Director of Corporate Communications	
Mark Byatt	+44 (0) 20 7246 6472 mbyatt@iasb.org
Senior Manager - Publications	
Ken Creighton	+44 (0)20 7332 2740 kcreighton@iasb.org
XBRL Team Leader	
Olivier Servais	+44 (0) 20 7246 6927 oservais@iasb.org

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

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

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