



ExMC/680/DV
May 2011

**INTERNATIONAL ELECTROTECHNICAL COMMISSION (IEC) SYSTEM
FOR CERTIFICATION TO STANDARDS RELATING TO EQUIPMENT FOR
USE IN EXPLOSIVE ATMOSPHERES (IECEX SYSTEM)**

For Consideration by Members of the IECEX Management Committee, ExMC

2010 IECEX Audited Accounts

Introduction

This document contains the IECEX 2010 audited accounts including a copy of the IEC Auditors report attached and is submitted for consideration by ExMC Members.

Explanatory notes have been provided for the assistance of Members.

This Report is submitted for ExMC consideration at the September 2011 Split IECEX meetings, following which will be presented for CAB approval during the 2011 October IEC General Meeting.

The Auditors report has been reviewed by both the IECEX Treasurer and Secretary.

Explanatory Notes to the 2010 IECEx Audited Accounts

GENERAL OVERVIEW

Total Income: CHF 1'090'632
Total Expenditure: CHF 912'411
End Year Surplus CHF 178'221

General Reserve at end 2010: CHF 692'399

INCLUSION OF ASSESSMENT FEES AS BOTH INCOME AND EXPENDITURE:

The IECEx Management Committee previously decided to charge Assessment Fees directly to ExCBs and ExTLs for assessments conducted on behalf of the Scheme. In turn Fees are paid to Assessor Organisations by the Scheme as opposed to being paid directly by the ExCB and ExTL to the Assessor organisation.

The main issue to highlight is that the Swiss auditors have requested to include the assessment fees (charged to ExCBs and ExTLs for the IECEx assessments) of CHF 293'749 as Scheme Income and the fees paid to IECEx Assessor's organisations of CHF 292'883 as Scheme Expenditure. This is similar practise as for the 2007, 2008 + 2009 accounts. In noting that the difference CHF 866, this is regarded as Scheme income arising mainly from the CHF 50 per invoice charged as administration fee for the Secretariat to process invoices.

INCOME

General

The total income (less Assessment Fees) of CHF 796'883 is CHF 140'883 above budget predictions largely due to the Certificate Fees being above budget predictions. This coupled with containment of Secretariat operating expenses resulted in a surplus of **CHF 178'221**, an increased level of annual surplus, compared to that achieved in 2009 (CHF124'627). This now has the IECEx General Reserve at end 2009 standing at CHF 692'399.

Annual Dues

Annual dues slightly below budget due to previous withdrawal of Serbia from all IEC CA Systems.

Surcharges

Surcharges apply to Manufacturers and Service Facilities that are located in non IECEx member countries whom derive the full benefit of IECEx without their country contributing to the IECEx annual dues. In setting the 2010 budget IECEx took a conservative approach not to rely on this income which resulted in CHF 15'000 above budget.

Application Fees

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEX. The 2010 accounts show CHF 8'000 slightly below budget prediction of CHF 12'000.

Certificate Fees Equipment

The Certificate fees for the IECEX Certified Equipment Scheme resulted in CHF 494'000 being CHF 144'000 (41%) above budget predictions.

NOTE: It should be noted that from all IECEX related fees are detailed in IECEX Operational Document OD 019.

Certificate Fees Services

The Certificate fees for the IECEX Certified Service Facility Scheme resulted in CHF 32'250, being CHF 12'250 (61%) above budget predictions.

Interest

In setting the 2010 Budget, IECEX applied a conservative approach with end of year results in results in line with budget predictions.

IECEX Mark Fees

While setting the 2010 budget, ExMC did provide for introduction of a Mark License fee, a decision taken at the 2010 annual IECEX meetings, agreed to remove provision of a Mark Fee on the basis that a Certificate fee already exists for Equipment Certificates. This has now been removed from the 2012 Approved Budget.

EXPENSES

General

While 2010 resulted in income above budget, the difference between actual operating expenses (total expenses minus allocation to Gen Reserve) was CHF 619'528 being CHF 18'228 above budget.

The above budget expenditure related mainly to the acquisition of new equipment with total amount of CHF 24'197.83 for equipment compared to the budget amount of CHF 7'500. New and replacement equipment acquired during 2010 included:

- Special ID Card printer required for the new IECEX Certificate of Personal Competency Scheme
- Upgrading of computers for IECEX Secretariat staff

There are no significant expenditure for equipment planned for 2011.

Another area of above budget expenditure was for travel with a 14% above budget due to additional travel and meetings costs not anticipated at the time of preparing the budget. However, the 2010 travel costs are in line with the provisions of the 2011 and 2012 budgets.

Despite these two budget items, all other items are either in line or below budget levels with the end of year resulting in a record end of year surplus of CHF 178'221.

In line with expected business practice, the IECEX monthly accounts are constantly reviewed with actual income and expenses closely monitored against budget predictions.

Personnel Costs

Personnel costs were in line with budget predictions.

Travel and Meeting Expenses

Slightly above budget predictions (14%), due to additional travel costs and related expenses not anticipated at the time of preparing the budget. The 2011 and 2012 approved budgets have been adjusted to better reflect the likely travel costs. It is noted that the IECEX Secretary also serves as IECQ Secretary, with travel for both IECEX and IECQ Systems being coordinated, where possible, in order to split travel costs.

Serviced Office facilities

The single CHF 28'600 provides for a full serviced office for the IECEX Secretariat Office located in Sydney catering for the Secretariat staff with the following being covered by the single annual fee:

- Secure Office accommodation
- Heating and cleaning
- Electricity costs (light + Power)
- Telephone costs
- Meeting room facilities
- Reception facilities
- IT services and support
- Printing and photo copying
- Fax facilities

Miscellaneous Legal and audit

Caters mainly for the audit costs of the IECEX accounts and the provision of an external auditors report and was below budget predictions.

Advertising Expenses

Maintained below budget.

Website

Maintained below budget

Special Projects

In line with budget predictions

Allocation to IECEX reserves

While CHF 54'700 was budgeted as the 2010 annual contribution to the IECEx General Reserve, the actual end of year result was a surplus of **CHF 178'221** an increase over the CHF 124'627 level achieved at end of 2009.

GENERAL RESERVE

Taking into account the results for 2010 with its surplus of CHF 178'221, the IECEx General reserves at end of 2010 provides a total of CHF 692'399. This reserve provides close to one full year operating expenditure with the target to achieve a reserve to cover 2 years operating expenses, as agreed by ExMC.



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To the Conformity Assessment Board of

International Electrotechnical Commission

Geneva

**Report of the auditor
on the financial statements for the year 2010**

of

**IEC System for Certification to Standards relating to Equipment for
use in Explosive Atmospheres (IECEX System)**

25 February 2011
11623/21505839/5-4-1

Report of the auditor
to the Conformity Assessment Board of

International Electrotechnical Commission, Geneva

In accordance with our engagement, we have audited the accompanying financial statements of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX System), which comprise the balance sheet, profit and loss account and notes for the year ended 31 December 2010.

Secretary's Responsibility

The Secretary is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law, the statutes and rules of procedure of the International Electrotechnical Commission and the basic rules of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX System). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Secretary is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

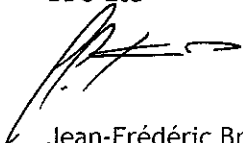
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law, the statutes and rules of procedure of the International Electrotechnical Commission and the basic rules of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX System).

Geneva, 25 February 2011

BDO Ltd



Jean-Frédéric Braillard
Licensed Audit Expert



Nadia Quévit
Licensed Audit Expert
(Auditor in Charge)

Enclosures

Financial statements

BALANCE SHEET AS AT 31 DECEMBER 2010

(with comparative figures for 2009)

	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
ASSETS	CHF	CHF	LIABILITIES AND GENERAL FUNDS	CHF	CHF
Cash and cash equivalents			Liabilities		
Bank, current account	<u>40'068</u>	<u>132'960</u>	IEC current account	52'272	0
			Accrued liabilities	<u>30'244</u>	<u>28'434</u>
Investment				<u>82'516</u>	<u>28'434</u>
IEC Pool Investment	<u>130'000</u>	<u>50'000</u>			
Other current assets			IECEX General Funds		
Accounts receivable			Capital at the beginning of the year	514'178	389'551
- Publications	176	127	Surplus for the year	<u>178'221</u>	<u>124'627</u>
- Certificates and surcharges	401'911	212'155	Capital at the end of the year	<u>692'399</u>	<u>514'178</u>
Other receivables					
- Withholding tax	215	109			
IEC current account	0	3'136			
Prepaid expenses (IECEX secretariat)	148'000	115'000			
Accrued income	<u>54'545</u>	<u>29'125</u>			
	<u>604'847</u>	<u>359'652</u>			
Total	<u><u>774'915</u></u>	<u><u>542'612</u></u>	Total	<u><u>774'915</u></u>	<u><u>542'612</u></u>

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010
(with comparative figures for 2009)

	Budget 2010 (unaudited)	Actual 2010	Actual 2009
	CHF	CHF	CHF
INCOME			
Dues	234'000	231'250	241'500
Surcharges	0	15'000	13'500
Publications	7'500	3'764	4'745
Application fees	12'000	8'000	18'000
Certificates equipment	350'000	494'000	284'625
Certificates services	20'000	32'250	16'500
Certificates persons	15'000	1'250	0
Other income	3'000	8'500	0
Interest income	3'000	2'869	1'846
Assessment fees	1'500	293'749	266'385
IECEX Mark fees	10'000	0	0
Total	<u>656'000</u>	<u>1'090'632</u>	<u>847'101</u>
EXPENSES			
Personnel expenses	400'000	400'000	308'000
Office equipment	7'150	24'198	3'387
Serviced office facilities	25'000	28'600	25'000
Miscellaneous, legal and audit	7'000	4'490	4'872
Website	7'150	6'821	3'973
Advertising expenses	25'000	12'009	14'306
Special projects	40'000	40'212	25'543
Travel and meetings expenses	90'000	103'198	72'116
Allocation to IECEX reserves	54'700	0	0
Costs to conduct assessments	0	292'883	265'277
Total	<u>656'000</u>	<u>912'411</u>	<u>722'474</u>
Budget result	<u><u>0</u></u>		
Surplus for the year		<u><u>178'221</u></u>	<u><u>124'627</u></u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010

1 Structure and objectives

1.1 *International Electrotechnical Commission ("IEC")*

The International Electrotechnical Commission ("IEC") is an organization constituted as a non profit-making corporate association with legal entity in accordance with Articles 60 *et seq.* of the Swiss Civil Code. The seat of the IEC is in Geneva, Switzerland.

The IEC object is to promote international cooperation on all questions of standardization and related matters, such as the verification of conformity to standards in the fields of electricity, electronics and related technologies, and thus to promote international understanding. This object, inter alia, is achieved by issuing publications, including International Standards.

1.2 *IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx System)*

Taking into account the object of the IEC, the particular object of the IECEx System, operated under the authority of the IEC in conformity with the Statutes, is to provide a global frame work for independent assessment and certification of equipment and services associated with explosive atmospheres.

These financial statements relate to the IECEx System, which is part of the IEC.