



ExMC/1362/DV
May 2018

**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

2017 IECEX Audited Accounts

Introduction

This document contains the IECEX 2017 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 2018 IECEX meetings in Cannes, following which will be presented for CAB approval during the 2018 October IEC General Meeting.

The Auditors report and notes have been prepared by both the IECEX Treasurer and Secretary and for further review during the Executive's June 2018 meeting.

Chris Agius

IECEX Executive Secretary

Visiting address:

IECEX Secretariat
Level 33 Australia Square
264 George Street
Sydney NSW 2000
Australia

Contact Details:

Tel: +61 2 4628 4690
Fax: +61 2 4627 5285
E-mail: info@iecex.com
<http://www.iecex.com>

Explanatory Notes to the 2017 IECEx Audited Accounts

GENERAL OVERVIEW

Total Income: CHF 1'465'304
Operating Expenses: CHF 1'302'360
End Year Surplus CHF 162'944 (Contribution to General Reserve)

General Reserve at end 2017: CHF 2'075'980

INCLUSION OF ASSESSMENT FEES AS BOTH INCOME AND EXPENDITURE:

The IECEx Management Committee previous decision for IECEx to control the payment of fees to Assessor Organisations and hence invoice these amounts to ExCBs and ExTLs means that Assessment fees are included as income and expenditure in the end of year accounts.

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 602'734 as Scheme Income and the fees paid to IECEx Assessor's organisations of CHF 600'467 as Scheme Expenditure, with these amounts being referred as Transitional Funds. This has been the practise each year since 2007. In noting that the difference **CHF 2'267**, this is regarded as Scheme income arising from a small fee per invoice charged as administration fee for the Secretariat to process and manage invoices and bank charges.

INCOME

General

The total income (less Assessment Fees Income plus CHF 2'267 admin fee [Assessment Fee Income less Assessment Fee Expenses]) and NET financial revenue has resulted in an end of year total Income of **CHF 1'465'304** and represents 4.4% below 2017 budget predictions.

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organisations of CHF 600'467) is CHF 1'302'360 and 15% below 2017 budget predictions.

It should be noted that the 15% below budget predictions for expenses was able to be achieved even while still incurring costs of running the 2017 International IECEx Conference in Shanghai.

The final positive results for 2017 means a surplus of **CHF 162'944** has been achieved and contributed to the general reserves compared to a budget amount of CHF 107'675.

The conclusion being an end of year surplus of CHF 162'944, being generated which is **51%** above budget predictions. A very good end of year result.

The IECEx General Reserve at end 2017 now stands at **CHF 2'075'980** compared to CHF 1'913'036 at end 2016 and represents approx. 1.6 times annual operating costs.

Annual Dues

Annual dues were close to Budget expectations due to new bodies now participating in the various IECEx Schemes.

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. It is noted that the Surcharges were slightly above budget predictions.

Application Fees

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEx. The 2017 accounts figure is lower than that of the 2016 accounts due mainly to a spike in bodies applying to join IECEx in recent years. Bodies that were planning to join IECEx in 2017 have since joined during the early part of 2018.

Certificate Fees Equipment

The Certificate fees for the IECEx Certified Equipment Scheme resulted in CHF 860'850 and only 4% below budget predictions however the number of issued certificates remain at a general annual sustained growth rate of 15.5% thereby demonstrating sustained growth in demand for IECEx Equipment Certification. This trend is continuing as IECEx enters 2018, noting that certificates covering mechanical equipment to the ISO 80079 series continues to grow.

Certificate Fees Services

The Certificate fees for the IECEx Certified Service Facility Scheme resulted in CHF 65'750 and while 10% above 2016 Accounts it is below budget predictions. Expansion of the Services Scheme into other services areas is expected to see an increase in the number of Service facility certificates.

Certificate Fees Persons

The Certificate fees for the IECEx Certified Persons Scheme resulted in CHF 84'450 which is 4% above 2016 accounts but slightly below budget predictions. The increased number of new ExCBs joining the IECEx CoPC Scheme is likely to result in an increase in the number of issued IECEx CoPC Certificates. This is now being seen during the early part of 2018.

Other Income

Other income for 2017 was CHF 74'630 and 23% above budget predictions largely due to sponsorship income from hosting of the 2017 IECEx International Conference in Shanghai.

Interest

The previous line item Interest is replaced with Net Financial revenue and for 2017 this was CHF 3'612 against a budget provision of CHF 2'000.

EXPENSES

General

While 2017 resulted in an income slightly below budget predictions, the overall actual operating expenses (total expenses minus allocation to Gen Reserve and Assessment) was contained to CHF 1'302'360 being **CHF 125'965 below** 2017 budget.

In line with expected business practice, the IECEX monthly accounts are constantly reviewed and any adjustments to expenditure are made according to income levels.

From the auditor's report we see that most of the Expenses items have resulted in an end of year accounts being below budget predictions. The following items are specifically noted.

Personnel Costs

Personnel costs were in line with budget predictions and covers all personnel related costs (eg, Staff Remuneration, Insurance, Pensions and other statutory employee related costs) with a mix of full time and part-time resources.

Office Equipment

Office equipment covers usual office related equipment and consumables related to day to day running of the Secretariat office including computer and IT, stationery and printing and postage of CoPC cards and other documentation. This was contained below budget predictions.

Serviced Office facilities

The CHF 91'377 amount is below budget predictions and provides for operating the IECEX Secretariat Office located in Sydney catering for the Secretariat staff with the following being covered:

- 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

Indirect IEC Costs

Contribution to IEC Geneva Office Costs, covers use by IECEX of IEC Central Office Services including:

- IT Department
- Communications and Promotions Department
- Publishing Department
- Printing Department
- Finance Department
- Others

The amount of CHF 98'325 is in line with the approved 2017 budget

Miscellaneous Legal and audit

Caters mainly for the audit costs of the IECEX accounts and the provision of an external auditors review and reporting of the IECEX financial accounts and was below budget predictions. The amount of CHF 63'372 incurred in 2016 was due to legal costs in defending the IECEX logo and brand from misuse, as reported in the 2016 audited accounts.

Advertising Expenses

These were maintained well below 2017 budget predictions and included costs associated with participation at various Promotional events, eg PCIC Conferences in Abu Dhabi.

Website

Maintained below budget and covers the IT Webmaster services for the dedicated IECEX Website

Special Event

The 2017 IECEx Conference held in Shanghai drew enormous interest with a total of 400 attendees participating, requiring a larger than expected venue to host this conference. This resulted in an overall cost of CHF 87'476. This cost has been off-set by sponsorship funds paid by organisations to exhibit at the Conference and this is recorded under "Other Income". The main purpose of Special Events is the promotion and increased awareness of the IECEx System and its Schemes.

Special Projects

Maintained well below budget predictions and covered the additional resources associated with the rebuilding of the IECEx website to accommodate new and additional Internet web browsers and improved security of the website architecture and back office. This Special project was completed in Q4 2017.

Travel and Meeting Expenses

The final amount of CHF 113'160 is below budget predictions and caters for travel and meeting costs of the Secretariat staff, noting that as the IECEx Executive Secretary also serves as IECQ Executive Secretary, travel for both IECEx and IECQ Systems is coordinated, where possible, in order to split travel costs.

Examples of travel and meeting costs are associated with:

- Secretariat staff for the 2017 IECEx Operational Meetings
- Secretariat staff for the 2017 Annual IECEx meetings
- Secretariat Staff to attend meetings of CAB and CAB WG Meetings, Meetings of ISO CASCO
- Others, eg IEC Geneva Office and meetings with Member Bodies, potential new Member Bodies where necessary

Extraordinary Expenses

There were no extraordinary expenses incurred in 2017.

Allocation to IECEx reserves

The end of year result for 2017 of CHF 162'944 is above budget predictions (CHF 107'675). With all the above taken into account, the end of year surplus is a most pleasing result for IECEx.

GENERAL RESERVE

Taking into account the results for 2017 with its contribution of **CHF 162'944** the IECEx General reserves at end of 2017 provides a total of **CHF 2'075'980**. This reserve provides 1.6 year's operating expenditure with the target to achieve a reserve to cover 3 years operating expenses, in accordance with the CAB recorded Decision 33/5 of Document CAB/1170/DL, noting that CAB has advised that there is no target date to reach the 3 year level. Reference: List of Decisions from the June 2013 CAB Meeting.

**INTERNATIONAL ELECTROTECHNICAL COMMISSION,
IEC System for Certification to Standards relating to
Equipment for use in Explosive Atmospheres (IECEx)**

GENEVA

**Report of the Auditor
December 31, 2017**

**Report of the Auditor to the Conformity Assessment Board of
International Electrotechnical Commission, Geneva****Report of the Auditor on the Financial Statements**

We have audited the accompanying financial statements of IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEX), which comprise the balance sheet as at December 31, 2017, the income statement and notes for the year then ended.

Executive Secretary's Responsibility

The Executive Secretary is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law, the association's statutes and rules of procedures 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). 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 Executive Secretary is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

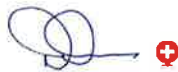
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are 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 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 December 31, 2017 comply with Swiss law and the association's statutes and rules of procedures 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).

MAZARS LTD



Daniel Dumas
Licensed Audit Expert
(Auditor in charge)



Geoffrey Kessler
Licensed Audit Expert

Vernier, March 5, 2018

Enclosures:

- Financial statements as at December 31, 2017 (balance sheet, income statement and notes)

BALANCE SHEET AS AT 31 DECEMBER 2017
(with comparative figures for 2016)

	<u>2017</u>	2016		<u>2017</u>	2016
ASSETS	CHF	CHF	LIABILITIES AND GENERAL FUNDS	CHF	CHF
Current assets			Liabilities		
Bank, current account	78'937	724'515	Accrued liabilities	<u>163'819</u>	<u>105'548</u>
IEC Pool Investment	233'587	233'498			
Accounts receivable					
- Dues	37'500	1'000			
- Publications	0	340			
- Certificates and surcharges	548'358	570'945	IECEX General Funds		
IEC current account	941'067	139'355	Capital at the beginning of the year	1'913'036	1'728'741
Prepaid expenses (IECEX secretariat)	233'557	222'436	Surplus for the year	<u>162'944</u>	<u>184'295</u>
Accrued income	166'793	126'495	Capital at the end of the year	<u>2'075'980</u>	<u>1'913'036</u>
	<u>2'239'799</u>	<u>2'018'584</u>			
Total	<u>2'239'799</u>	<u>2'018'584</u>	Total	<u>2'239'799</u>	<u>2'018'584</u>

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017
(with comparative figures for 2016)

	Budget 2017 (unaudited)	Actual 2017	Actual 2016
	CHF	CHF	CHF
INCOME			
Dues	300'000	292'250	288'000
Surcharges	60'000	60'575	44'000
Publications	7'000	5'420	8'522
RTPP annual fees	0	5'500	2'500
Application fees	20'000	10'000	16'000
Certificates equipment	900'000	860'850	901'925
Certificates services	85'000	65'750	60'250
Certificates persons	100'000	84'450	81'450
Other income	60'000	74'630	0
Assessment fees	2'000	602'734	394'468
Total	<u>1'534'000</u>	<u>2'062'159</u>	<u>1'797'115</u>
EXPENSES			
Personnel expenses	870'000	867'368	825'000
Office equipment	10'000	5'848	8'975
Serviced office facilities	110'000	91'377	68'617
Indirect IEC costs	98'325	98'325	85'263
Miscellaneous, legal and audit	10'000	5'093	63'372
Website	10'000	4'481	3'720
Advertising expenses	80'000	18'498	15'014
Special event	50'000	87'476	644
Special projects	40'000	10'734	20'949
Travel and meetings expenses	150'000	113'160	128'913
Allocation to IECEX reserves	107'675	0	0
Costs to conduct assessments	0	600'467	392'568
Total	<u>1'536'000</u>	<u>1'902'827</u>	<u>1'613'035</u>
Result from operating activities	-2'000	159'332	184'080
Net financial revenue	2'000	3'612	215
Budget result	<u><u>0</u></u>		
Surplus for the year		<u><u>162'944</u></u>	<u><u>184'295</u></u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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, services and personnel associated with explosive atmospheres.

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