

Financial Statements

Statement of Comprehensive Income

Year ended December 31, 2012

Notes 1 and 2

	2012	2011
REVENUE		
Contributions from members (Note 3)	4,120,585	2,638,863
Annual conferences (Note 3)	120,000	120,000
Exchange gain	-	-
Other (Note 3)	2,215	593
Total revenue	4,242,800	2,759,456
EXPENSES		
Salaries and employee benefits (Note 4)	1,741,298	1,552,354
Rental and maintenance (Note 11)	97,147	116,883
Travelling	409,620	354,712
Office supplies	37,314	34,341
Organization and follow up of meetings	97,863	61,486
Telecommunications	109,297	102,682
Delivery and communication	10,916	12,748
Printing and Annual Report	24,358	28,429
Computer	145,260	135,783
Professional fees	85,959	47,262
Educational programs	74,427	95,030
Miscellaneous	40,092	70,701
Exchange loss	2,291	1,908
Depreciation of capital assets (Note 6)	40,973	37,741
Total expenses	2,916,815	2,652,060
Excess of revenue over expenses before tax (expenses over revenue)	1,325,985	107,396
Taxation (note 9)	-	-
Excess of revenue over expenses net of tax (expenses over revenue)	1,325,985	107,396
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	1,325,985	107,396

(in Euros)

The accompanying notes are an integral part of the financial statements.

Statement Of Financial Position

As at December 31, 2012

Notes 1 and 2

	2012	2011
ASSETS		
Current assets		
Cash (Note 5)	2,677,780	1,197,472
Accounts receivable (Note 7)	122,029	99,227
Prepaid expenses	87,501	36,552
	2,887,310	1,333,251
Capital assets (Note 6)	76,048	80,430
Total assets	2,963,358	1,413,681
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	391,863	206,916
Contributions received in advance (Note 3)	120,000	81,255
Total liabilities	511,863	288,171
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax for the period (expenses over revenue)	1,325,985	107,396
Unrestricted members' funds	1,125,510	1,018,114
Total members' funds	2,451,495	1,125,510
Total liabilities and members' funds	2,963,358	1,413,681

(in Euros)

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Members' Funds

Year ended December 31, 2012

Notes 1 and 2

		2012	2011
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	1,125,510	1,125,510	1,018,114
Excess of revenue over expenses net of tax (expenses over revenue)	1,325,985	1,325,985	107,396
Balance, end of year	2,451,495	2,451,495	1,125,510

(in Euros)

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Year ended December 31, 2012

Notes 1 and 2

	2012	2011
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	1,325,985	107,396
Depreciation of capital assets (Note 6)	40,973	37,741
Decrease (increase) in working capital items (Note 8)	149,941	(146,520)
Net cash generated	1,516,899	(1,383)
INVESTING ACTIVITIES		
Term deposits transactions	-	-
Capital expenditures (Note 6)	(36,591)	(51,098)
Net cash used	(36,591)	(51,098)
Net increase (decrease) in cash and cash equivalents	1,480,308	(52,481)
Cash and cash equivalents, beginning of year	1,197,472	1,249,953
Cash and cash equivalents, end of year	2,677,780	1,197,472
CASH AND CASH EQUIVALENTS		
Cash (Note 5)	2,677,780	1,197,472
	2,677,780	1,197,472

(in Euros)

The accompanying notes are an integral part of the financial statements.

1 Governing Statutes and Purpose of the Organization

The non-profit organization IOSCO (hereinafter “the Organization”), incorporated under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is an association of securities regulatory organizations. During 2001 the Organization changed its domicile to Madrid (Spain). It is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999.

IOSCO is the international standard setter for securities regulation. Its current membership comprises regulatory bodies from over one hundred jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws.

2 Accounting policies

Basis of preparation

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

The financial statements are prepared in Euros which is the organization’s functional currency.

These financial statements were authorised for issue by the Secretary General of the Organization on March 31, 2013.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at amortized costs.

Accounting estimates

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management’s best knowledge of current events and actions that the Organization may undertake in the future. Actuals results may differ from these estimates.

Revenue and cost recognition

Member contributions are deferred when prepaid and recognised as income only upon accrual and receipt. Revenue received in advance represents prepaid members contributions.

Operating costs are recognized as an expense when incurred.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers	Straight-line	25%

Foreign currency translation

The Organization's functional and presentational currency is Euros. Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognized in the Statement of Comprehensive Incomes when they arise.

Monetary assets and liabilities denominated in foreign currencies are translated to Euros at the foreign exchange at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

3 Revenue

Contributions from members include membership fees collected in the year, corresponding to contributions due for the reporting period and previous reporting periods and contributions from members applying for membership. The Presidents Committee has agreed, with effect from 1 January 2012, to change the membership fee structure, considering that members from jurisdictions with higher GDP and higher income per capita afford a higher fee than members from jurisdictions with lower GDP and income per capita. Following these changes, the change to fee structure resulted in increased revenue.

Annual conference revenue represents the contribution from the member hosting the Annual Conference.

Other revenue is comprised basically by sales of IOSCO documents and other revenues generated by capital assets.

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2012 is composed of 24 staff, including 16 permanent staff and 8 secondees, being 13 staff members women and 11 men.

	2012	2011
Gross salaries	1,428,533	1,247,750
Spanish social security	191,174	167,090
Other social benefits	121,591	137,714
Total salaries and employee benefits	1,741,298	1,552,354

(in Euros)

In 2012 the Organization had the benefit of seconded staff from the Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Israel Securities Authority (ISA), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Ontario Securities Commission (OSC), the Romanian National Securities Commission (CNVM), the Financial Services Board of South Africa (FSB), the Spanish Comisión Nacional del Mercado de Valores (CNMV), the Capital Markets Board of Turkey (CMB), the Financial Services Authority of United Kingdom (FSA) and the Financial Industry Regulatory Authority of the United States (FINRA).

The normal mode of operation of the secondment program is for the Organization to enter into a trilateral agreement between the sponsoring member and the secondee, offering the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat temporarily. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization. Revenue is recognized based on the terms, amounts and payment schedule determined by the Secondment agreement between the Organization and the sponsoring member. The amounts payable to the secondee as part of the respective employment contract are recognized and accrued as an expense. In order to enhance comparability,

the amounts corresponding to the secondment program, both revenue and expenditure have been removed from the Statement of Comprehensive Income and any differences between revenue and subsidized costs arising from social security adjustments are recognized on a net basis in the income statement in the salaries heading, as is shown in the chart below:

	2012	2011
Revenue associated to the Secondment Program	307,277	348,392
Subsidized expenditure associated to the Secondment Program	(310,387)	(347,097)
Net as at December 31, 2012	(3,110)	1,295

(in Euros)

In addition, as part of the secondment agreements and in compliance with the IOSCO Secondment Program, IOSCO assumes certain costs, which are also recognized in the income statement in the salaries heading, related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to € 124,158 (€ 72,823 for the year 2011).

There is a minority of cases where, as distinct from the above trilateral agreement, the sponsoring member continues to take care directly of all the employment, administrative and financial requirements with regard to the secondee, where IOSCO does not have any direct formal employment link with the secondee and does not hold any financial obligation, and in consequence revenue and the related expenditure has not been accrued.

5 Cash

Cash is held in current bank accounts denominated in Euros in Barclays Bank, S.A.U., an EU entity with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts. There are no restrictions for the use of cash.

6 Capital Assets

	Furniture and fixtures	Computer equipment	2012 Total
At the lower of recoverable value and cost			
Balance, beginning of year	42,450	573,634	616,084
Additions	17,035	19,556	36,591
Disposals	-	-	-
Balance, end of year	59,485	593,190	652,675
Accumulated depreciation			
Balance, beginning of year	(21,834)	(513,820)	(535,654)
Depreciation	(7,990)	(32,983)	(40,973)
Disposals	-	-	-
Balance, end of year	(29,824)	(546,803)	(576,627)
Net as at December 31, 2012	29,661	46,387	76,048

(in Euros)

	Furniture and fixtures	Computer equipment	2011 Total
At the lower of recoverable value and cost			
Balance, beginning of year	26,411	538,575	564,986
Additions	16,039	35,059	51,098
Disposals	-	-	-
Balance, end of year	42,450	573,634	616,084
Accumulated depreciation			
Balance, beginning of year	(15,080)	(482,833)	(497,913)
Depreciation	(6,754)	(30,987)	(37,741)
Disposals	-	-	-
Balance, end of year	(21,834)	(513,820)	(535,654)
Net as at December 31, 2011	20,616	59,814	80,430

(in Euros)

7 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2012	2011
Secondment contributions	112,039	84,722
Other	9,990	14,505
Total Accounts receivable	122,029	99,227

(in Euros)

b) Accounts payable and accrued liabilities

	2012	2011
Professional services	43,549	10,620
Occupancy	85,000	78,000
Spanish Taxes (employee's income tax withheld) and Social Security	77,542	56,098
Contractual staff commitments	43,041	-
Travelling	74,655	21,121
Other	68,076	41,077
Total Accounts payable and accrued liabilities	391,863	206,916

(in Euros)

8 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2012	2011
Accounts receivable	22,802	62,798
Prepaid expenses	50,949	9,570
Accounts payable and accrued liabilities	(184,947)	120,407
Contributions received in advance	(38,745)	(46,255)
Increases (decreases) in working capital	(149,941)	146,520

(in Euros)

9 Taxation

On 29 December, 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax. On 23 November 2011, IOSCO signed a Headquarters Agreement with the Kingdom of Spain upgrading and improving the current legal and tax framework for IOSCO in Spain.

10 Government Assistance

As part of the localization agreement in Madrid, IOSCO receives from the Spanish Authorities the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (electricity, water, elevator maintenance, etc) up to a maximum of € 91,605 for the year 2012 (€ 87,561 for the year 2011). This amount is adjusted annually by the corresponding Consumer Price Index. The total for non-structural maintenance expenses has not yet exceeded the above mentioned cap. The estimated revenue in kind associated to the 56% share to use free of charge of the 12 Oquendo premises is of 400,000 Euros

The agreement between the Comisión Nacional del Mercado de Valores (CNMV) and IOSCO set out that the CNMV will be responsible for meeting the costs of security and maintenance of security systems in the IOSCO premises; insuring the premises; and municipal and local property taxes. These revenues in kind have been estimated at € 85,185 for 2012 (€ 51,535 in 2011).

11 Rental and Maintenance

	2012	2011
Estimated Spanish Authorities' charges for non structural maintenance costs	85,000	78,000
Other external maintenance services	12,147	38,883
Total rental and maintenance	97,147	116,883

(in Euros)

12 Subsequent Events

In the opinion of the management there are no significant events that need to be reported.