



# **2023 ExMC Meeting in Edinburgh UK**

**Friday, 22<sup>nd</sup> September 2023**

## **FINANCIAL REPORT**

**Prof. Xu Jianping**

**IECEX Treasurer**



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2022 EY Accounts Audited



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# 2022 EY ACCOUNTS - GENERAL

- ❑ The Accounts has been **positively audited** by IEC independent auditors according to Swiss General Accepted Accounting Principle (GAAP), and **signed** by IEC Treasurer and IEC president.
- ❑ Following the 1 IEC requirements, the audited report was issued as **GA/119/DV** Report of the Statutory Auditor on the IEC Statutory Financial Statements for 2022.
- ❑ The document **ExMC/1936/DV** listed in the Agenda is the 2022 IECEX Audited Accounts, which is exactly abstracted from the overall IEC audited report **GA/119/DV**, special for considerations of IECEX ExMC members.



# 2022 EY ACCOUNTS - OPERATION

Refer to 2022 audited accounts ExMC/1936/DV

	2022 Approved Budget	2022 EY Actuals
Membership dues	330,000	337,000
Sales	3,000	3,010
Publications	3,000	3,010
CA systems operations	1,492,000	1,652,768
Surcharges	65,000	39,000
RTPP annual fees	15,000	18,000
Application fees	15,000	15,000
Certificate Fee Equipment Scheme	1,100,000	873,050
Certificate Fee Services Scheme	85,000	92,250
Certificate Fee Certified Persons Scheme	150,000	254,550
Other Income	60,000	3,050
Administration fees for Assessments	2,000	357,868
<b>TOTAL OPERATIONAL INCOME</b>	<b>1,825,000</b>	<b>1,992,778</b>
Personnel expenses	1,111,320	1,111,320
Rent & maintenance	95,000	92,812
Rent, heating and cleaning	95,000	92,812
Maintenance	0	0
Office & administration	220,375	564,380
Office equipment	7,500	9,924
Contribution to IEC Overhead costs	160,375	160,375
Miscellaneous, legal and audit	7,500	7,061
Website Maintenance and Development	10,000	7,227
Special projects	0	29,378
Costs to conduct assessments	0	350,415
Extraordinary Expenses	0	0
Communication & printing	80,000	17,382
Meeting and travel	150,000	21,054
Special Events	40,000	0
Travel and meeting expenses	110,000	21,054
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>1,656,695</b>	<b>1,806,948</b>
<b>OPERATIONAL RESULT</b>	<b>168,305</b>	<b>185,830</b>
Depreciation - Trademark	(91,500)	(98,583)
Net financial revenue	2,500	(16,452)
<b>ANNUAL RESULT BEFORE ALLOCATIONS</b>	<b>79,305</b>	<b>70,795</b>



# 2022 EY ACCOUNTS - SUMMARY

- ❑ In the year of 2022, due to the continuous impact from the COVID-19 and its lagged effects, the income and expenditure were generally according to the approved 2022 Budget, with a hard-won surplus of CHF 70,795, which is in line with budget predictions of CHF 79'305.
- ❑ This includes the possible CHF 16,452 negative amount for the Net Financial Revenue, which is the non-realised value of the IECEX amounts of the IECEX General Reserve invested in the IEC pool of investments and reflected the state of play in the global financial markets at that time.
- ❑ All other financial account items were largely normal as the years' budget
- ❑ IECEX continued to be a solid and healthy financial performance until the EY 2022.



# 2022 EY ACCOUNTS - DETAILS

## □ **KEY DATA** [Excluding the influence of the assessment fees, CHF350,415 pay-in/pay-out]

➤ Income (Net):

**Actual = CHF 1,642,363** Budget=CHF 1,825,000 (1,655,651 @ 2021 actuals)

➤ Expenses (Net):

**Actual = CHF 1,456,533** Budget=CHF 1,656,695 (1,370,941 @ 2021 actuals)

➤ Contribution to General Reserves:

Actual = **CHF 70,795** Budget=CHF 79,305

## □ **IECEX Free Capital**@ Dec 2022 = **CHF 2,619,260** (2,574,125 @ 2021 actuals) **[+1.8%]**

Note: This includes CHF 300,000 sitting in Designated Fund for innovation and promotion, and 1% (about 26K) Contribution to IEC Global Impact Fund.

- **Treasurer Review of IECEX Annual Expenses** conducted remotely last weekend, consider the day-to-day accounting and fee control against the Budget was detailed, tight and effective. I was really satisfied with that all the quarterly-based records are categorized the accounting items of the Budget, and the record data with supporting evidence are matched exactly and traceable with the audited 2022 IECEX Account ExMC/1936/DV.



# 2022 EY ACCOUNTS - HIGHLIGHTS

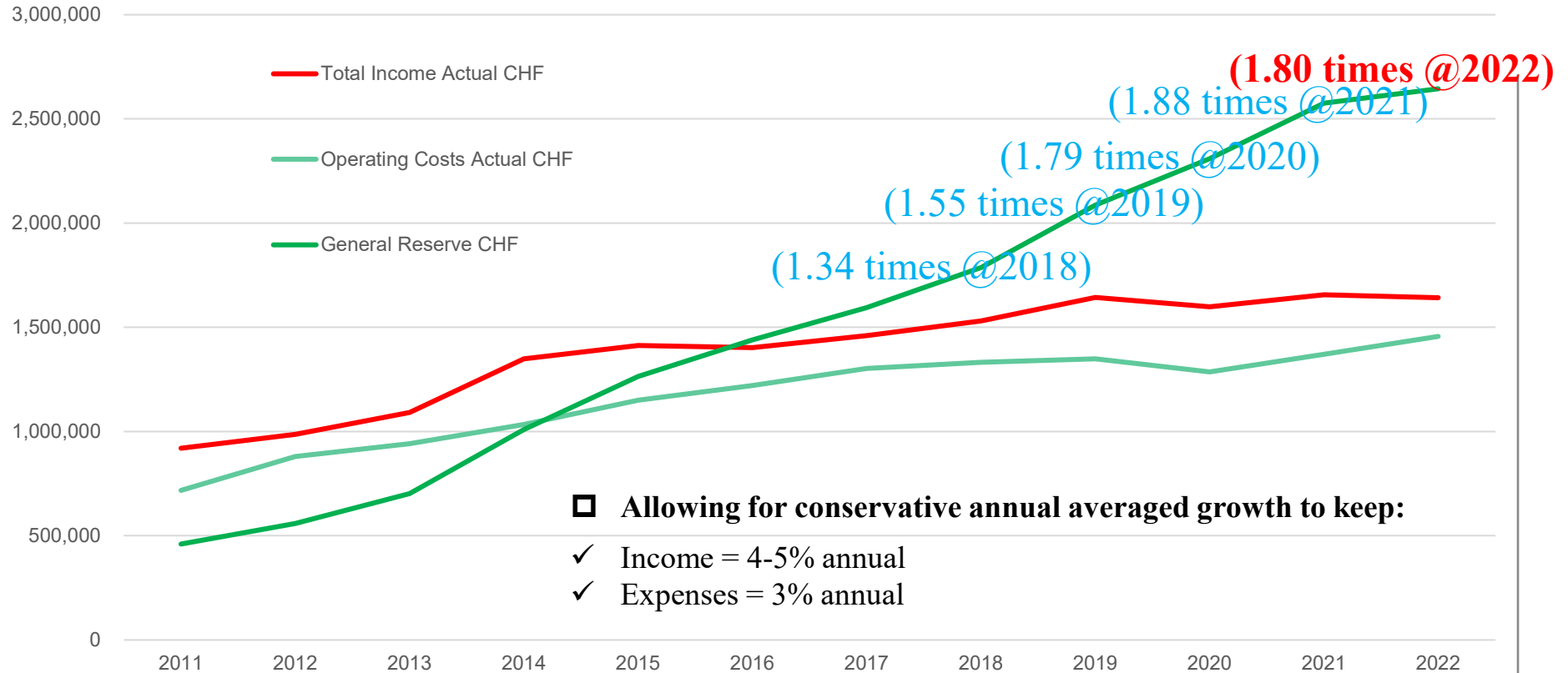
- **Net System Income = CHF 1,642,363** **【10% below budget, 0.8% below 2021 actuals】**
- ✓ Annual dues in line with budget (3.4% above 2021 actuals)
- ✓ Certificate fees - CoPC = **69.7% above** budget (50% above 2021 actuals)
- ✓ Certificate fees - Equip. = **20.6% below** budget (8.9% below 2021 actuals)
- ✓ Certificate fees - Services = **8.5% above** budget (12% below 2021 actuals)
- ✓ RTP Fees, new bodies joined = **20% above** budget (24% above 2021 actuals)
- ✓ No income from conference due to COVID-19 (60,000CHF budget wasn't fulfilled)
- **Net Operating Expenses = CHF 1,456,533** **【12.1% below budget, 6.2% above 2021 actuals】**
- ✓ The costs of office equipment slightly increased than budget as expected
- ✓ Other items in line or below budget, but above 2021 actuals
- ✓ Costs for Special Projects including Website enhancements increased
- ✓ 2% increased contribution to overhead costs (mandated)
- ✓ No Conference, just with limited travel and costs
- **Annual Op. Results = CHF 185,830** **【10.4% above budget】**

**All the Cert. fee 2022**  
8.6% below 2022 budget  
2% below 2021 actuals  
2% above 2020 actuals  
Equal to 2019 actuals



# 2011–2022 EY TREND ACTUAL

The IECEX finances continuously in a solid and healthy state!



**The General Reserves (GR) @ EY 2022 = CHF2,619,260** (CHF2,574,125 @ EY 2021) [+1.8% increase]

- The Reserves (IECEX Free Capital) now sits at 1.80 times the annual operating expenses
- Achieve the previous FinCom's requirement of higher than 1.5 years operating expenses
- Due to the litigious nature, IECEX used a 2 x Operating costs for maintaining stability

■ **Treasurer Recommends ExMC acceptance of the 2022 Accounts**





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# 2023 BUDGET APPROVED

As documented in ExMC/1814/DV	2022 Approved Budget	2022 EY Actuals	2023 Approved Budget (ExMC/1814/DV)
Membership dues	330,000	337,000	340,000
Sales	3,000	3,010	3,000
Publications	3,000	3,010	3,000
CA systems operations	1,492,000	1,652,768	1,617,000
Surcharges	65,000	39,000	65,000
RTPP annual fees	15,000	18,000	15,000
Application fees	15,000	15,000	15,000
Certificate Fee Equipment Scheme	1,100,000	873,050	1,200,000
Certificate Fee Services Scheme	85,000	92,250	100,000
Certificate Fee Certified Persons Scheme	150,000	254,550	160,000
Other Income	60,000	3,050	60,000
Administration fees for Assessments	2,000	357,868	2,000
<b>TOTAL OPERATIONAL INCOME</b>	<b>1,825,000</b>	<b>1,992,778</b>	<b>1,960,000</b>

- This budget was approved by CAB in April 2022 (acc to CAB/2326/DV) , with initial acceptance of ExMC members.
- The Budget takes into account possible improvements in the impact of the COVID-2019 in 2023.
- The budget implies confidence in recovery of the impact of the COVID-2019, and it also reflects the possible increase in operating costs following with gradual return to normal.

Special Events	40,000	0	40,000
Travel and meeting expenses	110,000	21,054	110,000
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>1,656,695</b>	<b>1,806,948</b>	<b>1,767,977</b>
<b>OPERATIONAL RESULT</b>	<b>168,305</b>	<b>185,830</b>	<b>192,023</b>
Depreciation - Trademark	(91,500)	(98,583)	(91,500)
Net financial revenue	2,500	(16,452)	2,500
<b>ANNUAL RESULT BEFORE ALLOCATIONS</b>	<b>79,305</b>	<b>70,795</b>	<b>103,023</b>
Allocation (to) / from capital & reserves	(79,305)	(70,795)	(103,023)
<b>Capital Fund IECEX</b>	<b>(79,305)</b>	<b>(70,795)</b>	<b>(103,023)</b>
<b>ANNUAL RESULT AFTER ALLOCATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>



# 2023 FORECAST HIGHLIGHTS

Based on comprehensive analysis of business operation (as of end of August 2023)

- ❑ There are delayed effects of the COVID-19 on global economic recovery.
- ❑ IECEx business growth continues but is slower than expected prior to COVID.
- ❑ BUT the op. results seems to be positive acc. last 8 months operation.
- ❑ **The 2023 EY FORECAST** will be around **3.5%** below budgeted Income and **5.8%** below budgeted Expenses, in noting:
  - Income
    - ✓ The statistics regarding the drafted + issued CoCs
    - ✓ No loss of Members, actually still receiving applications
    - ✓ Possible new business income from GH Economy (OD 290 & Unit 11)
    - ✓ Possible new application from Bodies to join + scope extensions
    - ✓ Possible new participation for RTTPs
    - ✓ Income from IECEx Conference by seeking more sponsors
  - Expenses
    - ✓ The budget includes a 2% increase in IEC direct costs (16% @2023)
    - ✓ The budget takes into account the special projects for website upgrade and etc.
    - ✓ The meeting/travel expenses budgeted for full lifting of the Pandemic
- If no special change of circumstances, 2023 EY OP. Result is expected to be around **18%** above budgeted OP. Result, that is about **226K** (CHF). [185.83K@2022]



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**2024 Budgets Validated**



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# 2024 BUDGET ACCEPTED BY EXMC IN END OF MARCH 2023

And validated by CAB in May. The BUDGET has now been provided to BAC for final approval by GA in October, according to the new 1 IEC statutory financial policy and approval procedure.

- The 2024 Budget was drafted based on the results of 2022 & according to the 2Y Outlook 2024-2025 (ExMC/1830/CD), and documented as ExMC/1918/DV and CAB/2326/DV.

Documented in ExMC/1918/DV and CAB/2326/DV	2022 Approved Budget	2022 EY Actuals	2023 Approved Budget (ExMC/1814/DV)	2024 Draft Budget (acc ExMC/1830/CD)
Membership dues	330,000	337,000	340,000	345,000
Sales	3,000	3,010	3,000	3,000
CA systems operations	1,492,000	1,652,768	1,617,000	1,675,000
<b><u>TOTAL OPERATIONAL INCOME</u></b>	<b>1,825,000</b>	<b>1,642,363</b>	<b>1,960,000</b>	<b>2,023,000</b>
Personnel expenses	1,111,320	1,111,320	1,144,660	1,202,893
Rent & maintenance	95,000	92,812	105,000	105,000
Office & administration	220,375	564,380	288,317	325,808
Communication & printing	80,000	17,382	80,000	80,000
Meeting and travel	150,000	21,054	150,000	190,000
<b><u>TOTAL OPERATIONAL EXPENDITURE</u></b>	<b>1,656,695</b>	<b>1,456,533</b>	<b>1,767,977</b>	<b>1,903,701</b>
<b><u>OPERATIONAL RESULT</u></b>	<b>168,305</b>	<b>185,830</b>	<b>192,023</b>	<b>119,299</b>
Depreciation - Trademark	(91,500)	(98,583)	(91,500)	(91,500)
Net financial revenue	2,500	(16,452)	2,500	2,500
<b>ANNUAL RESULT BEFORE ALLOCATIONS</b>	<b>79,305</b>	<b>70,795</b>	<b>103,023</b>	<b>30,299</b>
Allocation (to)/from capital & reserves	(79,305)	(70,795)	(103,023)	(30,299)
<b>Capital Fund IECEX</b>	<b>(79,305)</b>	<b>(70,795)</b>	<b>(103,023)</b>	<b>(30,299)</b>
<b><u>ANNUAL RESULT AFTER ALLOCATIONS</u></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# 2024 BUDGET HIGHLIGHTS

## Key Points of 2024 Budget

- The **INCOME** budgeted with **3.2%** increase relative to 2023 budget, mainly from various certification fees and possible membership dues.
- The **EXPENSES** budgeted with **7.6%** increase, due to IEC overhead costs (2%) and meeting/travel cost increase for business operation.
- The **OPERATIONAL RESULT** budgeted at **CHF119K**, which still remains positive finance performance
- The provision of **CHF 30'299** for an allocation to the IECEx Free Capital (General Reserves) for the year 2024 is consistent with the 2Y Outlook 2024-2025 as agreed during the 2022 ExMC Remote meeting.
- **For your info, up to now the BUDGET has been approved by IB, and pending for final approval during the GA meeting October.**

Documented in ExMC/1918/DV and CAB/2326/DV	2022 Approved Budget	2022 EY Actuals	2023 Approved Budget (ExMC/1814/DV)	2024 Draft Budget (acc ExMC/1830/CD)
Membership dues	330,000	337,000	340,000	345,000
Sales	3,000	3,010	3,000	3,000
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Personnel expenses	1,111,320	1,111,320	1,144,660	1,202,893
Rent & maintenance	95,000	92,812	105,000	105,000
Office & administration	220,375	564,380	288,317	325,808
Communication & printing	80,000	17,382	80,000	80,000
Meeting and travel	150,000	21,054	150,000	190,000
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>1,656,695</b>	<b>1,456,533</b>	<b>1,767,977</b>	<b>1,903,701</b>
<b>OPERATIONAL RESULT</b>	<b>168,305</b>	<b>185,830</b>	<b>192,023</b>	<b>119,299</b>
Depreciation - Trademark	(91,500)	(98,583)	(91,500)	(91,500)
Net financial revenue	2,500	(16,452)	2,500	2,500
<b>ANNUAL RESULT BEFORE ALLOCATIONS</b>	<b>79,305</b>	<b>70,795</b>	<b>103,023</b>	<b>30,299</b>
Allocation (to)/from capital & reserves	(79,305)	(70,795)	(103,023)	(30,299)
<b>Capital Fund IECEx</b>	(79,305)	(70,795)	(103,023)	(30,299)
<b>ANNUAL RESULT AFTER ALLOCATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



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# 2025-2026 FINANCIAL OUTLOOK

This was drafted for initial review and discussion during IECEX Executive Meeting on 6<sup>th</sup> April 2023

Documented in ExMC/1938/DV and CAB/2356/DC	2024 Draft ExMC Budget (Pending GA approval)	2025 Forecast Outlook		2026 Forecast Outlook	
		Low	High	Low	High
Membership dues	345,000	340,000	365,000	365,000	380,000
Sales (Publications)	3,000	3,000	5,000	3,000	5,000
CA systems operations	1,675,000	1,610,000	1,850,000	1,790,000	2,035,000
Surcharges	65,000	65,000	65,000	65,000	75,000
RTPP annual fees	20,000	25,000	25,000	35,000	45,000
Application fees	15,000	15,000	20,000	20,000	20,000
Certificate Fee Equipment Scheme	1,200,000	1,100,000	1,300,000	1,250,000	1,400,000
Certificate Fee Services Scheme	110,000	110,000	120,000	120,000	135,000
Certificate Fee Certified Persons Scheme	200,000	230,000	250,000	235,000	285,000
Other Income	60,000	60,000	65,000	60,000	70,000
Administration fees for Assessments	5,000	5,000	5,000	5,000	5,000
<b>TOTAL OPERATIONAL INCOME</b>	<b>2,023,000</b>	<b>1,953,000</b>	<b>2,220,000</b>	<b>2,158,000</b>	<b>2,420,000</b>
Personnel expenses	1,202,893	1,261,986	1,261,986	1,325,085	1,325,085
Rent, heating, cleaning & maintenance	105,000	115,000	130,000	130,000	145,000
Office & administration	325,808	275,808	310,808	293,308	335,808
Office equipment	10,000	5,000	5,000	7,500	10,000
Contribution to IEC Overhead costs	233,308	233,308	233,308	233,308	233,308
Miscellaneous, legal and audit	7,500	7,500	7,500	7,500	7,500
Website Maintenance and Development	30,000	15,000	20,000	15,000	30,000
Special projects	45,000	15,000	45,000	30,000	55,000
Communication & printing	80,000	50,000	90,000	90,000	100,000
Meeting and travel	190,000	150,000	200,000	200,000	250,000
Special Events	40,000	30,000	50,000	50,000	75,000
Travel and meeting expenses	150,000	120,000	150,000	150,000	175,000
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>1,903,701</b>	<b>1,852,794</b>	<b>1,992,794</b>	<b>2,038,394</b>	<b>2,155,894</b>
<b>OPERATIONAL RESULT</b>	<b>119,299</b>	<b>100,206</b>	<b>227,206</b>	<b>119,606</b>	<b>264,106</b>
Depreciation Trademark	-91,500	-91,500	-91,500	-91,500	-91,500
Net financial revenue	2,500	100	500	100	500
<b>ANNUAL RESULT BEFORE ALLOCATIONS</b>	<b>30,299</b>	<b>8,806</b>	<b>136,206</b>	<b>28,206</b>	<b>173,106</b>
Capital Fund IECEX	-30,299	-8,806	-136,206	-28,206	-173,106
<b>ANNUAL RESULT AFTER ALLOCATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- The 2-year Outlook to 2026 was drafted according to the new Swiss GAAP, following the development of the 2024 Draft Budget (ExMC/1918/DV) and according to the 2022 actual results.





# 2025-2026 OUTLOOK PRINCIPLES

## ● Key Principles

- Adhere to the principle of seeking progress while maintaining stability
- Suppose no changes foreseen in annual dues that represent **22+** consecutive years of no increase in annual dues
- Maintain current funding model of combination of Annual dues + Certificate Fees for a user pay system
- Maintain a dedicated Technical Secretariat to serve IECEx daily operation
- Continue with a conservative approach to financing, with consideration of 18% annual rate on IEC cost contribution after 2024
- No significant negative changes in either Income or Expenditure is foreseen for 2023&2024
- There are no extraordinary circumstances or events affecting IECEx daily operation

### REMARKS:

- ✓ The 2-year Outlook to 2026 is documented for ExMC consideration, and will be used as guidance when preparing the draft 2025 budget, following the EY results 2023.
- ✓ A further review of IECEx operating actuals will be constantly conducted by IECEx Treasurer and Secretary for preparing the draft 2025 budget, taking into account ExMC Members decisions from this ExMC meeting.
- ✓ A final draft 2025 budget will be issued for ExMC acceptance early in 2024.



## SPECIAL INFO - TO BE NOTED

- Based on fruitful discussion during IECEX Executive meeting in April, all the financial matters mentioned above were agreed by Executive members.
- The Executives also discussed the comment with NO's YES Vote on 2024 budget regarding a possible reduced certificate fee of CoPC due to its 70% increase in 2022. In view of the uncertainty of global economic recovery, coverage of IECEX Trademark Registration maintaining costs and etc, as well as the facts that most of the fees of CoPC are currently paid by employers, the meeting agreed not to seek a reduction in any of the fees. Hope these information is acceptable by NO.
- In noting increase in IECEX General Reserves ([CHF2,619,260@EY2022](#)), the meeting supported the current approach for IECEX to seek 2 x Annual Operating costs as a Reserve, and proposed to adjust the IECEX Designated Reserve amount from CHF 300K to CHF 750K for Innovation, Promotion and Training, with additional maintenance fees of IECEX Trademark Registrations.
- **In conclusion**, treasurer is confident that the operational results for next several years will continue to be stable with growth if there is no significant issues.



## SPECIAL INFO - TO BE NOTED (CON'D)

- Finally, I must make a special mention that under the leadership of IECEx Executives the continuous high-intensity and efficient work of the members of IECEx secretariat has strongly supported the steady operation of IECEx.
- The detailed facts on workload, performance and etc., are evidenced by:
  - [ExMC/1965/R](#) - IECEx System Report Card – 2023
  - [ExMC/1990/R](#) - IECEx Chair's Report on Assessment of the IECEx Secretariat Office Operations in Sydney
- On behalf of members I would like to take this special chance to express sincere thanks for their great contributions.
- I must also mention that IECEx's solid financial performance also benefits from the day-to-day efforts and contributions of all members.

**Thanks to all the IECEx family members!**

Many thanks for your attention!

