

Annual Report 2010

Financial reporting for the world's interconnected financial markets

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Introduction

Our objective

Develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles.

In doing so:

- promote the use and rigorous application of those standards;
- take account of the needs of a range of sizes and types of entities in diverse economic settings; and
- promote and facilitate adoption of IFRSs through the convergence of national accounting standards and IFRSs.

The IFRS Foundation

A three-tier structure ensures independent standard-setting under the governance and oversight of the Trustees and the appropriate levels of public accountability.

Public authorities

Monitoring Board of external public capital market authorities

Governance & oversight

IFRS Foundation Trustees

IFRS Foundation

Independent standard-setting

International Accounting Standards Board (IASB), Advisory Council, Interpretations Committee

IFRS Foundation Operations

Secretariat, Communications, Content Services, Education Initiative, IFRS XBRL Taxonomy

IFRSs around the world

About 120 countries require or permit the use of IFRSs for listed companies. Most remaining major economies have established time lines to converge with or to make a decision to adopt IFRSs in the near future.

Current use of IFRSs in the countries of the G20*

COUNTRY	STATUS FOR LISTED COMPANIES
Argentina	Required for financial years beginning on or after 1 January 2012
Australia	Required for all private sector reporting entities and as the basis for public sector reporting since 2005
Brazil	Required for consolidated financial statements of banks and listed companies from 31 December 2010 and for individual company accounts progressively since January 2008
Canada	Required from 1 January 2011 for most listed entities and permitted for private entities including not-for-profit organisations
China	Substantially converged standards, active convergence initiatives; Hong Kong SAR adopted IFRSs for listed companies in 2005
European Union	All member states of the EU are required to use IFRSs as adopted by the EU for consolidated financial statements of listed companies since 2005
France	Required via EU adoption and implementation process since 2005
Germany	Required via EU adoption and implementation process since 2005
India	Converging with IFRSs; implementation date of new converged standards to be confirmed
Indonesia	Convergence process ongoing; a decision about a target date for full compliance with IFRSs is expected to be made in 2012
Italy	Required via EU adoption and implementation process since 2005
Japan	Permitted from 2010 for a number of international companies; decision about mandatory adoption expected around 2012
Mexico	Required from 2012 for listed entities
Republic of Korea	Required from 2011
Russia	Required for consolidated financial statements of banks since 2004, for insurance and listed companies from 2012
Saudi Arabia	Not permitted for listed companies
South Africa	Required for listed entities since 2005
Turkey	Required for listed entities since 2005
United Kingdom	Required via EU adoption and implementation process since 2005
United States	Allowed for foreign issuers in the US since 2007, not publicly traded US companies are permitted to use IFRSs; target date for substantial convergence between IFRSs and US GAAP is 2011; decision about possible adoption for US publicly traded companies expected in 2011

* This is not an authoritative assessment of the use of IFRSs in those countries. In the majority of cases, the information has been provided by the relevant national authorities or is based on information that is publicly available. For definitive information on the use of IFRSs in any particular country or countries contact the relevant national authority or authorities directly.

Enhancing governance and accountability

2001



Following international agreement, creation of the IASC Foundation under the leadership of the Trustees and with the IASB as its standard-setting body

Members of the International Financial Reporting Interpretation Committee (IFRIC) and the Standards Advisory Council (SAC) appointed by the Trustees

2002



Trustees begin review of longer-term funding options

2003



First public Constitution Review begins

Trustees approve the creation of an education programme

2004



Trustees publish Constitution Review documents for public consultation

Public meetings held in Asia, Europe, Latin America and the United States. Over 100 organisations participate in the review

2005



Concluding the first review of the Constitution, the Trustees decided to increase the number of Trustees to 22 with a fixed geographical distribution; create the due process oversight committee and establish a framework to assess their effectiveness

The IASB's due process is enhanced and the Trustees' responsibilities to review the IASB's agenda are strengthened

Trustees appoint a Chair and members of the reconstituted SAC

2006



Trustees continue focus on encouraging countries to adopt IFRSs without amendments, continue to develop effective oversight and build a sustained basis of financing

1

Trustees of the IFRS Foundation

Inspiring confidence and trust in independent standard-setting

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2007



Trustees introduce annual review of their oversight activities

Conduct a strategy review which recommends the creation of a link to a Monitoring Board

Approve an outreach programme to enhance the relationships and mutual understanding between stakeholder groups and the IASC Foundation

Require the IASB to produce a feedback statement on major projects

Trustees develop a strategy to ensure the quality of the IFRS XBRL taxonomy and of official translations of IFRSs

2008



Trustees begin second Constitution Review with priority for enhancing their public accountability functions

Trustees support and monitor closely the IASB's response to the global financial crisis

The SAC is restructured to comprise representatives of organisations with an interest in standard-setting

2009



Trustees conclude first part of the Constitution Review, establish a link to a Monitoring Board of public capital market authorities and expand the membership of the IASB to 16 members by 2012 with a recommended geographical distribution

Trustees undertake second part of the Constitution Review

2010



Conclusion of the second review of the Constitution, resulting in the creation of two Vice-Chairs, the introduction of three-yearly public consultations on the IASB's technical agenda and for consistency the IASC Foundation is renamed the IFRS Foundation, the SAC becomes the IFRS Advisory Council and the IFRIC becomes the IFRS Interpretations Committee

Trustees initiate strategy review on the organisation's mission, governance and financing as well as on the standard-setting process

Trustees agree to create an Asia/Oceania liaison office in Japan

Report of the Acting Co-Chairs of the IFRS Foundation Trustees

The year 2010 marked the end of a remarkable first decade of the IFRS Foundation's existence. In the ten years since its founding, the IFRS Foundation, through its independent standard-setting body, the IASB, has succeeded in establishing IFRSs as the accepted set of financial reporting standards in more than 100 countries.



TSUGUOKI (AKI) FUJINUMA
ACTING CO-CHAIR AND VICE-CHAIR
OF THE IFRS FOUNDATION TRUSTEES

In nearly all countries where International Financial Reporting Standards (IFRSs) are not the locally accepted standard, adoption of IFRSs is under active consideration. As the organisation's second decade begins, the goal of a single high quality globally accepted set of accounting standards, embraced by the G20 leaders, is now within reach.

In seeking the goal of a global standard, the Trustees remain committed to the vision that IFRSs must provide a faithful presentation of an entity's financial position and performance. Those standards should serve investors and other market participants in their economic and resource allocation decisions. The confidence of all users in the transparency and integrity of financial reporting is critically important to the effective functioning of capital markets, efficient capital allocation, global financial stability and sustainable economic growth.

2010: laying the groundwork for global standards

While there is much to celebrate about 2010, the year ended most sadly with the tragic and sudden death of Tommaso Padoa-Schioppa, the Chair of the IFRS Foundation. The international

financial community will greatly miss Tommaso's leadership, intellect and wry sense of humour. The Trustees are now in the process of establishing an annual IFRS lecture at a prestigious university, in honour of our great friend Tommaso.

In June 2010, Tommaso had returned to the organisation for a second time as Chair. He had replaced Gerrit Zalm who had retired from the Trustees due to the pressure of other commitments after more than two years of providing forceful and effective leadership. Both Gerrit and Tommaso made important contributions in the cause of global standards. For that, the Trustees are extremely grateful.

With the passing of Tommaso, the Trustees appointed us, as Vice-Chairs, to be Acting Co-Chairs while the Nominating Committee is seeking a new permanent Chair.

In 2010, the IFRS Foundation and the IASB took actions to pave the way for the ultimate achievement of the goal of a single set of accounting standards, written by the IASB:

- **Initiated a strategy review, in conjunction with the Monitoring Board's governance review:** The Trustees launched a comprehensive review of the IFRS Foundation's strategy, focused on four areas—

mission, governance, processes and procedures, and financing. This included a first round of public consultations beginning in November 2010. This review is being undertaken in conjunction with the Monitoring Board's review of the IFRS Foundation's governance arrangements.

The Monitoring Board and the Trustees strongly share the view that the two projects should result in an integrated package of measures for continued enhancement of the standard-setter's governance reflective of the increasing global acceptance of IFRSs around the world. In this vein, the two bodies will co-ordinate closely to develop a package of improvements, expected to be issued by the end of August 2011.

The result of the combined reviews should be further enhancements to what is generally regarded as a strong, independent and publicly accountable standard-setting process.

- **Appointed Hans Hoogervorst as IASB Chair and Ian Mackintosh as IASB Vice-Chair:** In October 2010 and following a global search, the Trustees announced that Hans Hoogervorst, then the chairman of the Netherlands Authority for the Financial Markets

The work of the Trustees in 2011 will be focused on three key priorities:

- Identifying and ensuring a smooth transition for a new Chair of the Trustees
- Completion of the strategy review
- Enhancing the Trustee due process oversight responsibilities

(AFM) and chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO), would succeed Sir David Tweedie. The Trustees also appointed Ian Mackintosh to fill the Vice-Chair role formerly held by Tom Jones.

Under the 10-year leadership of Sir David Tweedie, the IASB has succeeded in establishing IFRSs as the accepted set of financial reporting standards in more than 100 countries. His legacy is enormous. The Trustees are convinced that in Hans they have identified a person with a strong understanding of, and an ability to navigate through, the challenges facing the IASB on the path to global IFRS adoption.

- **Made significant progress in building a financing system that maintains the independence of the standard-setting process:** Since 2006 the Trustees have sought to introduce national financing regimes, proportionate to a country's relative GDP, that establish a levy on companies or provide an element of publicly supported financing. Now more than two-thirds of the Foundation's finances are based on such regimes, and this approach has been particularly successful in Asia/Oceania and Europe. (See page 56-60 for more details regarding the current funding of the IASB.)

The Trustees' 2011 priorities

The Trustees recognise that 2011 is likely to be a watershed year for the IFRS project. Within the next 12–18 months, a number of major economies, including India, Japan, and the United States, are considering the adoption of IFRSs for their domestic economies. Achieving the commitment of these remaining countries is essential in making IFRSs a truly global standard.

The Trustees have identified the following priorities for 2011:

- **Identifying and ensuring a smooth transition for a new Chair of the Trustees:** In co-ordination with the Monitoring Board, the Trustees have now initiated a global search for Tommaso's successor. We are seeking a senior individual with experience in a top leadership capacity where public policy intersects with capital markets, coupled with strong relationships with the global business community. Recognising the growing responsibilities of the Trustees, this Chair position will require a significant time commitment. We are seeking a rapid conclusion to this search. However, as acting Co-Chairs and Vice-Chairs we are

The Trustees have expanded funding resources in Africa, the Americas, Asia/Oceania and Europe. As a result of these endeavours, the Trustees are confident that they will achieve a balanced or surplus operating financial result in 2011.

also committed to dedicating the necessary time to our other duties. We will work with the incoming Chair to ensure a smooth transition.

- **Completion of the strategy review:** The Trustees are committed to the timely completion of the strategy review in the third quarter of 2011. This review will follow a thorough due process. The Trustees are now consulting on their conclusions and will consult the IFRS Advisory Council and stakeholders through round-table meetings.
- **Enhancing the Trustee due process oversight responsibilities:** In 2006, the Trustees established their Due Process Oversight Committee to play a more active and visible role in the oversight of the IASB's due process. This Committee meets with the IASB


regularly to monitor its compliance with due process procedures, to review complaints regarding the IASB's due process and to assess other areas of concern related to the IASB's due process activities. Nevertheless, some stakeholders have expressed further concern regarding the effectiveness of the Trustees' oversight over the IASB's procedures.

Under the chairmanship of David Sidwell, the Due Process Oversight Committee and the IASB will now conduct a more focused, regular and systematic review of the due process of current projects. The Due Process Oversight Committee has already given greater visibility to its work and will establish more formalised protocols to govern its operations.

Ensuring a more secure financial footing in 2011

The year 2010 marked a particularly challenging period from a financial perspective. The Trustees have permitted an operating loss to occur during the past two years with the recognition that additional resources were required to:

- hire additional members of the IASB, which has grown from 14 to 15 members
- finalise the convergence work between the IASB and the US national standard setter, the Financial Accounting Standards Board (FASB)
- develop sufficient infrastructure internally to support a Trustee body with increased responsibilities and a growing technical staff infrastructure
- undertake enhanced consultations with stakeholders. The increased cost is reflected in the growth of meeting, travel and technology costs



Tsuguoki (Aki) Fujinuma
Acting Co-Chair and Vice-Chair
of the IFRS Foundation Trustees

This loss has reduced the IFRS Foundation's total reserves to £7.7 million at the end of 2010 from £9.7 million in 2009.

The Trustees recognise that running deficits is not a sustainable policy and have therefore taken a cautious approach on expanding resources beyond what has already been committed. At the same time, the Trustees recognise that any cuts to existing resource capabilities will undermine the ability of the organisation to fulfil its mission.

Therefore, there has been a continued focus on expanding revenue sources. In response, and consistent with their long-term strategy, the Trustees have expanded funding resources in Africa, the Americas, Asia/Oceania and Europe. As a result of these endeavours, the Trustees are confident that they will achieve a balanced or surplus operating financial result in 2011.



Robert Glauber
Acting Co-Chair and Vice-Chair
of the IFRS Foundation Trustees

Report of the Due Process Oversight Committee

I am grateful to Antonio Vegezzi, my predecessor as Chairman of the Trustees' Due Process Oversight Committee (DPOC), for his work to establish the DPOC in 2006 and lead its development into one of the most important and increasingly active Trustee subcommittees.

2010 priority areas

The 2009 *Report of the Due Process Oversight Committee* identified four priority areas for the work of the DPOC during 2010. They were;

1. to monitor the IASB's compliance with its due process as it completes its convergence programme;
2. to review the efficiency of the IFRS Interpretations Committee;
3. to consider the extent to which the IFRS Foundation should be involved in the development of extensions to the XBRL taxonomy; and
4. to assist the IASB with its own outreach activities.

First, the DPOC undertook to monitor the IASB's compliance with its due process as it completes its 2006 Memorandum of Understanding with the FASB. Consistently with that objective, during 2010 the DPOC intensified its interaction with the IASB as the boards published exposure drafts of major convergence standards for public comment. During this period, the DPOC responded to concerns from interested parties about their difficulty in providing high quality input on a timely basis due to the number of due process documents published for public comment at the same time. In consultation with the DPOC, the IASB agreed with the FASB to limit the number of concurrent due process documents published for public comment

at one time, and to give priority to those projects on which improvements in financial reporting were considered most urgent. The DPOC has continued to monitor the due process followed by the IASB as it completes its convergence work and, at the request of the Chair of the IASB, will meet monthly in order to monitor the quality and robustness of the due process followed by the IASB in finalising its convergence work.

Second, the DPOC initiated a review of the efficiency of the IFRS Interpretations Committee and to benchmark the IASB's due process against comparable organisations. In October 2010 the DPOC conducted a survey of those who attend meetings of the Interpretations Committee in an official capacity, including Committee members and observers, to learn about members' views on the efficiency and effectiveness of the Interpretations Committee in achieving its objectives and to seek suggestions for improving its operations. Responses to the survey were also sought from members of the IASB, members of the IFRS Advisory Council, national standard-setters and other interested parties including the large accounting firms and various regulatory bodies. The survey was also posted on the IFRS Foundation website for completion by other interested parties. In July 2010 the DPOC began its work to benchmark the IASB's due process against comparable

organisations. Members of the DPOC have now met their counterparts at the Financial Accounting Foundation (oversight body of the FASB), the International Standards Organisation and the International Federation of Accountants.

Third, the DPOC agreed to determine the extent of involvement of the IFRS Foundation in the development of extensions to the IFRS taxonomy. This process is continuing to evolve and is subject to our current strategy review.

Lastly, the DPOC agreed to assist the IASB in enhancing its outreach activities, particularly those targeted at the investor community and prudential supervisors. In accordance with this objective, in April 2010 the IASB appointed its first dedicated investor liaison manager, to co-ordinate the IASB's interaction with members of the investor community and to seek higher levels of investor participation in the standard-setting process. The IASB has continued to deepen its involvement with prudential supervisors through an enhanced technical dialogue.

2011 priorities

The comprehensive programme of work undertaken by the DPOC during 2010 further strengthened Trustee oversight of the IASB's due process. In determining its priorities for 2011, the DPOC noted its



DAVID SIDWELL
TRUSTEE AND CHAIR OF THE DPOC

intention to take into account any recommendations arising from the Trustees' strategy review on the need for enhanced Trustee oversight of the IASB's due process, including reviewing the IASB's due process on particular agenda decisions or standards before completion.

Notwithstanding the outcome of the review, during 2011 the DPOC intends to undertake further substantive reform of its own activities, as well as consideration of further enhancements to the IASB's own due process.

1. Review the IASB's due process

First, the DPOC will undertake a systematic review of the IASB's due process. This review will include consideration of effect analysis requirements as part of the IASB's due process, and the extent to which the

Foundation's XBRL activities can be integrated into its mainstream standard-setting activities and due process requirements. Once the review is completed, the DPOC will provide an update to the Due Process Handbook.

2. Create an enhanced DPOC protocol

Second, the DPOC will create an enhanced protocol that describes how it discharges its responsibilities. The enhanced protocol will describe the interaction between the IASB and the DPOC, while respecting the independence of the IASB in its standard-setting activities. Once established, the enhanced protocol will provide a framework for the DPOC to oversee due process compliance from agenda consultation through to the issuing of a standard. It is intended that the DPOC will issue a final report on the due process review at the end of each

major project, as well as providing regular updates on the results of its review and discussions with the IASB throughout the life cycle of the projects.

3. Enhance transparency of activities

Third, the DPOC will provide enhanced transparency and visibility of its own activities, including the creation of a dedicated DPOC section of the IFRS Foundation website. The DPOC will publish summaries of the conclusions of its meetings, as well as other related documents and correspondence with third parties regarding due process oversight.

4. Increased engagement with the IASB

Lastly, the DPOC recognises the importance of 2011 in achieving the broader mission of the IFRS Foundation, and in particular the importance of maintaining confidence and trust in the standard-setting process followed by the IASB in finalising its programme of work with the FASB. The DPOC has an important role to play in providing assurance that the IASB has followed an extensive, robust and transparent process in accordance with its published due process. As part of this responsibility, the DPOC will continue to meet the staff and leadership of the IASB monthly to ensure that the remaining standards resulting from the convergence process have benefited from the full extent of the IASB's due process.

Trustees of the IFRS Foundation

At 31 December 2010



Tommaso Padoa-Schioppa, former Italian Minister of Economy and Finance, was appointed Chair of the Trustees in June 2010 following the resignation of Gerrit Zalm in July.

Sadly, Tommaso passed away unexpectedly on 22 December 2010. The Trustees have initiated their search for a new Chair; in the interim, the two Vice-Chairs have been appointed Acting Co-Chairs of the organisation.

Acting Co-Chairs

- 1 Tsuguoki (Aki) Fujinuma**
 Vice-Chair of the Trustees
 Former Chair and President,
 Japanese Institute of Certified
 Public Accountants (JICPA); former
 President, the International
 Federation of Accountants
Japan
 Term expires: December 2013
- 2 Robert Glauber**
 Vice-Chair of the Trustees
 Retired Chair and CEO, NASD;
 former Under Secretary of the Treasury
 for Finance
United States
 Term expires: December 2011



Africa

- 3 Jeff van Rooyen**
CEO, Uranus Investment Holdings;
former Vice Chairman, Executive
Committee, International
Organization of Securities
Commissions (IOSCO); former CEO,
South African Financial Services
Board
South Africa
Term expires: December 2012

Asia/Oceania

- 4 Marvin Cheung**
Retired Chairman,
KPMG Hong Kong
*Hong Kong SAR, People's Republic
of China*
Term expires: December 2011
- 5 Zhongli Liu**
President, Chinese Institute of
Certified Public Accountants;
former Minister, Ministry of Finance
People's Republic of China
Term expires: December 2011
- 6 Jeffrey Lucy AM**
Former Chairman, Australian
Financial Reporting Council; former
Chairman, Australian Securities
and Investments Commission
Australia
Term expires: December 2013
- 7 T V Mohandas Pai**
Chairman, Manipal Universal
Learning Pvt. Ltd; former
Member of the Board,
Infosys Technologies Limited;
former Chairman, Infosys
BPO Limited
India
Term expires: December 2011
- 8 Noriaki Shimazaki**
Special Adviser, former CFO
and Member of the Board,
Sumitomo Corporation;
Chairman, International Affairs
Committee, the IFRS Council
Japan
Term expires: December 2011



Continued overleaf

Europe

- 9 Clemens Börsig**
Chairman of the Supervisory Board,
Deutsche Bank AG
Germany
Term expires: December 2011
- 10 Oscar Fanjul**
Vice Chairman, Omega Capital;
Vice Chairman, Lafarge;
former Chairman, founder
and CEO, Repsol
Spain
Term expired: December 2010
- 11 Sir Bryan Nicholson GBE**
Former Chairman,
Financial Reporting Council
United Kingdom
Term expires: December 2011
- 12 Luigi Spaventa**
Former Chairman, Commissione
nazionale per le società e la borsa
(Consob) and Minister of the Budget
Italy
Retired: June 2010
- 13 Yves-Thibault de Silguy**
Vice Chairman and Lead Director,
Vinci; former member of the
European Commission responsible
for economic, monetary and
financial affairs
France
Term expires: December 2012
- 14 Antonio Vegezzi**
President, Capital Italia Fund;
former President, Capital
International and Director, Capital
Group
Switzerland
Term expired: December 2010



North America

15 Samuel A DiPiazza, Jr
Vice Chairman, Institutional Clients Group, Citigroup; retired CEO, PricewaterhouseCoopers International
United States
Term expires: December 2011

16 Scott Evans
Executive Vice President, Asset Management and CEO, TIAA-CREF Investment Management LLC
United States
Term expires: December 2011

17 Harvey Goldschmid
Dwight Professor of Law, Columbia University; former Commissioner, US Securities and Exchange Commission (SEC)
United States
Term expires: December 2012

18 David Sidwell
Director, UBS and Fannie Mae; former CFO, Morgan Stanley
United States
Term expires: December 2012

19 Paul Tellier
Former President and CEO, Bombardier and CN; former Clerk of the Privy Council and Secretary of the Cabinet; Director, Rio Tinto plc and Rio Tinto Ltd.; Director, McCain Foods Ltd. and Chairman, Global Container Terminals (GCT); Strategic Advisor to Société Générale
Canada
Term expires: December 2012

South America

20 Pedro Malan
Former Chairman of the Board, Unibanco; former Finance Minister and President, Central Bank of Brazil
Brazil
Term expires: December 2013



Continued overleaf

Successors for Trustees retiring at the end of 2010

New appointments

- | | | |
|--|---|---|
| <p>23 Duck-Koo Chung
Former Minister of Commerce,
Industry and Energy
<i>Republic of Korea</i>
Term expires: December 2013</p> | <p>24 Dick Sluimers
CEO, APG Group
<i>The Netherlands</i>
Term expires: December 2013</p> | <p>25 Antonio Zoido
Chairman of the Board and CEO,
Bolsas y Mercados Españoles (BME)
<i>Spain</i>
Term expires: December 2013</p> |
|--|---|---|



The Monitoring Board

The Monitoring Board comprises representatives of public capital market authorities and is the external oversight body of the IFRS Foundation Trustees.

Through the Monitoring Board, securities regulators that allow or require the use of IFRSs in their jurisdictions will be able to carry out more effectively their mandates regarding investor protection, market integrity and capital formation.

The Monitoring Board's main responsibilities are to ensure that the Trustees continue to discharge their duties as defined by the IFRS Foundation Constitution, as well as approving the appointment or reappointment of Trustees.

Member organisations at 31 December 2010

European Commission

Michel Barnier, Commissioner

Financial Services Agency of Japan

Katsunori Mikuniya, Commissioner

International Organization of Securities Commissions (IOSCO)

Technical Committee

Masamichi Kono (Acting Chairman), Vice Commissioner for International Affairs, Financial Services Agency, Japan

Emerging Markets Committee

Zarinah Anwar, Chairman of the Securities Commission, Malaysia

United States Securities and Exchange Commission (SEC)

Mary Schapiro, Chairman

Observer

Basel Committee on Banking Supervision

Sylvie Matherat, Director, Financial Stability, Banque de France