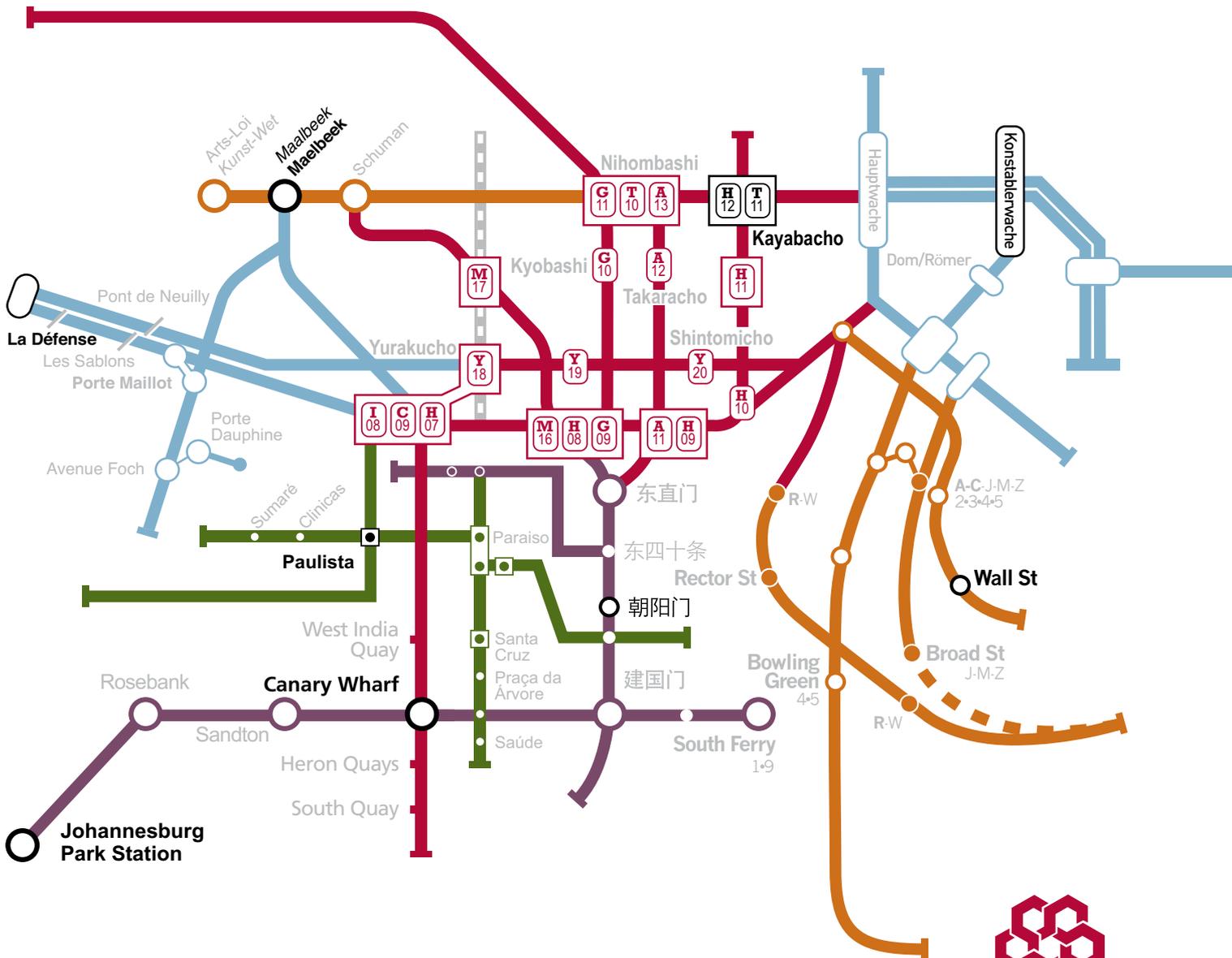


Annual Report 2009

Financial reporting for the world's interconnected financial markets



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Introduction

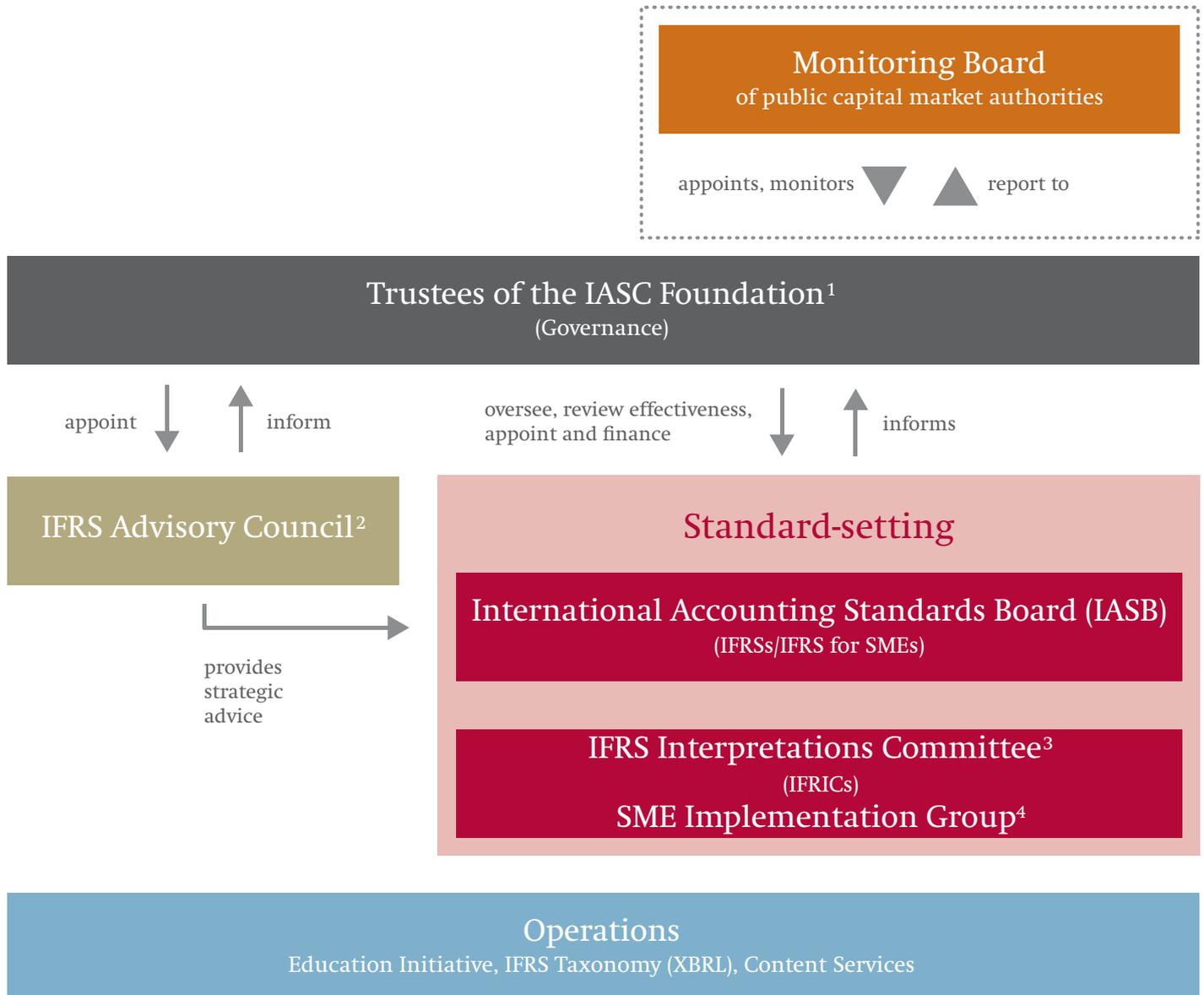
Our objective

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 IASC Foundation¹



¹ The IASC Foundation is to become the IFRS Foundation in July 2010.

² The SAC was renamed the IFRS Advisory Council.

³ The IFRIC was renamed the IFRS Interpretations Committee.

⁴ The Trustees created the SME Implementation Group in July 2009.

IFRSs around the world

Since 2001, almost 120 countries have required or permitted the use of IFRSs. All remaining major economies have established time lines to converge with or adopt IFRSs in the near future.

Current use of IFRSs in the countries of the G20*

COUNTRY	STATUS FOR LISTED COMPANIES
Argentina	Required for fiscal 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 all listed entities and permitted for private sector entities including not-for-profit organisations
China	Substantially converged national standards
European Union	All member states of the EU are required to use IFRSs as adopted by the EU for 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	India is converging with IFRSs over a period beginning 1 April 2011
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 by 2016 expected around 2012
Mexico	Required from 2012
Republic of Korea	Required from 2011
Russia	Required for banking institutions and some other securities issuers; permitted for other companies
Saudi Arabia	Not permitted for listed companies
South Africa	Required for listed entities since 2005
Turkey	Required for listed entities since 2008
United Kingdom	Required via EU adoption and implementation process since 2005
United States	Allowed for foreign issuers in the US since 2007; target date for substantial convergence with IFRSs is 2011 and decision about possible adoption for US companies expected in 2011

* This is not an authoritative assessment of the use of IFRS 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

Creation of IASC Foundation under the leadership of a group of Trustees and with the IASB as its standard-setting body

Members of the IFRIC and the 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 Constitution Review, the Trustees 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 procedures are enhanced and the Trustees' responsibilities to review the IASB's agenda are strengthened

Trustees appoint a Chairman and members of reconstituted SAC

1

IASC Foundation

Inspiring confidence and trust in independent standard-setting

b	Report of the Chairman of the IASC Foundation Trustees	6–8
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2006

Trustees focus on encouraging countries to adopt IFRSs, continue to develop effective oversight and build a sustained basis of financing

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

Report of the Chairman of the IASC Foundation Trustees

A clear lesson of the financial crisis is that global financial markets demand a globally accepted and enforced financial reporting framework.



GERRIT ZALM
CHAIRMAN OF THE IASC
FOUNDATION TRUSTEES

This is something that the leaders of the G20 countries recognised when at their summit in Pittsburgh in September 2009 they ‘called on our international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard-setting process, and complete their convergence project by June 2011’.

A globally recognised standard

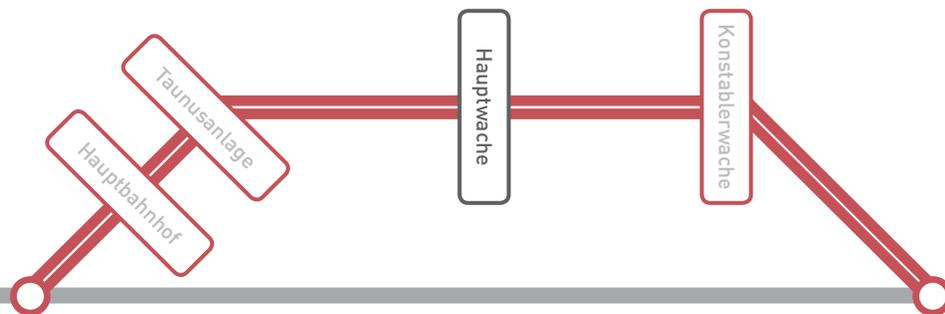
In 2009 remarkable progress was made towards the objective of a single set of high quality, global accounting standards. Beginning in 2010 and in the period to 2012, we are witnessing the second major wave of IFRS adoption. Argentina, Brazil, Canada, India, Indonesia, Japan, Korea, Malaysia and Mexico – to name but a few – are in the process of adopting IFRSs.

Importantly, Japan, the world’s second largest national capital market, took a big step towards fully adopting IFRSs. The Japan Financial Services Agency (FSA) announced that it would permit Japanese companies to use IFRSs for their 2010 filings, and set a timetable for IFRS adoption.

Towards the end of 2009 there were positive developments in the United States. On 5 November the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) reaffirmed their commitment to convergence. The two boards established work plans to complete their programme by June 2011. The two respective Trustee bodies agreed to interact formally and regularly to monitor the progress on convergence goals and to help resolve issues within the context of our oversight mandates and the independent standard-setting process. In February 2010, citing the ongoing convergence work, the US Securities and Exchange Commission (SEC) reaffirmed its commitment to make a decision in 2011 on IFRS adoption.

Enhanced public accountability and stakeholder engagement

As IFRSs become an integral part of the new global regulatory framework, the Trustees took steps in 2009 to ensure that the organisation was ready. Throughout 2009, the Trustees introduced reforms aimed at enhancing public accountability, improving stakeholder engagement, and reinforcing our commitment both to investors as a



primary target of financial information and to the independence of the standard-setting process.

A notable innovation was made in January 2009 when, in completing of the first part of the five-yearly review of the IASC Foundation's Constitution, the Trustees established a direct link to a Monitoring Board of public capital market authorities – one that would seek to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. The Monitoring Board's main responsibilities are, first, to ensure that the Trustees continue to discharge their duties as defined by the Constitution and, second, to approve the appointment or reappointment of Trustees. The Monitoring Board now comprises the relevant leaders from the IOSCO Emerging Markets and Technical Committees, the European Commission, the Japan FSA, and the US SEC, with the Basel Committee on Banking Supervision taking part as an observer.

The Trustees moved quickly to develop their proposals for the second part of the review. These proposals, published in September 2009, sought to enhance still further the governance of the organisation and its public

'The Monitoring Board now comprises the relevant leaders from the IOSCO Emerging Markets and Technical Committees, the European Commission, the Japan FSA, and the US SEC, with the Basel Committee on Banking Supervision taking part as an observer.'

accountability. The Trustees committed themselves to improving the involvement of stakeholders with a broad range of perspectives in both developed and emerging markets. In addition to the formal process of written comment on these proposals, in which more than 60 groups participated, the Trustees consulted stakeholders around the world through a series of public round-table meetings in London, New York and Tokyo. These consultations enabled the Trustees to approve amendments to the Constitution at their meeting in January 2010.

Strengthening the commitment to the investment community

In 2009 the Trustees took steps to encourage greater involvement of the global investment community, a primary beneficiary of financial reporting

standards. Standard-setters have always found it challenging to involve investors and other users, and I am pleased to say that our efforts to involve users more in the organisation's governance and decision-making processes have met with some success:

- **Trustees:** four Trustees have current or recent experience with companies making investments, and five Trustees have served as securities regulators.
- **IASB:** following the appointment of Patrick Finnegan and Patricia McConnell, the IASB now has three members with extensive international experience as financial analysts.
- **Advisory Council:** the IFRS Advisory Council (formerly known as the SAC) has been reconstituted with a Vice-Chair from the investment community. Eight major investor organisations are represented on the Council, and have regular meetings with the Trustees.



- **Outreach:** the IASB has appointed a staff manager of investor liaison and is undertaking initiatives specifically targeted at the investment community.

Providing the necessary resources for a growing workload

One of the major responsibilities of the Trustees remains securing the necessary resources to operate the organisation effectively. In 2009 we continued to expand staff resources prudently to respond to growing requirements. At the same time, in the light of the forthcoming wave of jurisdictions adopting IFRSs, we completed a five-year planning exercise to give us a better sense of long-term resource requirements.

In 2009 the IASC Foundation ran a small operating deficit of £307,000, compared with an operating surplus of £528,000 in 2008. The deficit emerged for two non-recurring reasons.

First, in accordance with a change in the Constitution, the Trustees expanded the IASB to 15 members in July 2009 from the 14 members previously required and therefore the IASB's recruitment costs, including the use of a search firm,

were higher than anticipated. Second, in an effort to broaden access to expertise, the IASC Foundation financed meetings of the Financial Crisis Advisory Group and supported an unprecedented outreach programme for the IASB's work on financial instruments.

Although the IASC Foundation is reporting an operating deficit for 2009, the financial statements show a gain from total comprehensive income of £647,000 (compared with a deficit of £1,747,000 in 2008). This gain is primarily the result of fair value gains from the unwinding of forward exchange contracts, used to remove exchange rate risk associated with contributions. The great majority of IASC Foundation financing is set in either US dollars or euros, while the organisation's expenditures are in sterling.

As mentioned earlier, the Trustees undertook a five-year resource planning exercise. We concluded that there will continue to be a need to expand the technical staffing resources of the organisation and its engagement with stakeholders. We also noted the desire of many stakeholders that the IASC Foundation should set up liaison offices for the Americas and Asia.

To accomplish all these objectives the organisation would need an additional £3-4 million each year in financing. While good progress has been made in establishing broad-based levies and payments in many jurisdictions (see page 46), continued work is needed to eliminate the funding gap. In the short term, the IASC Foundation will draw down the reserves at a rate of £2 million per year. Consequently, eliminating the financing gap will be a leading priority in 2010. The Trustees will work with the Monitoring Board to complete this work.

My fellow Trustees and I have acted and will continue to act to ensure that IFRSs become the global standard for financial reporting, providing necessary information for investors, regulators and other participants in the world's financial markets. In the past year we have improved our public accountability through the link to the Monitoring Board and taken steps to encourage greater stakeholder involvement in our activities. We are closer than ever to our objective – we will not rest until it is achieved.

Gerrit Zalm
Chairman of the
IASC Foundation Trustees

Key changes to the IASC Foundation Constitution

In 2008-2010 the Trustees of the IASC Foundation undertook the second mandatory Constitution Review based on broad public consultation. In 2009 the first part of the constitutional changes agreed by the Trustees came into effect.

The Trustees substantially accomplished the second part of the Constitution Review by the end of 2009.

Final decisions on part 2 were taken by the Trustees in the January 2010 meeting in Rio de Janeiro and are reflected in the highlights adjacent.

Key changes to the Constitution as part of the second Constitution Review

Part 1 (effective as of January 2009)

Creation of an official link to a Monitoring Board of public capital market authorities.

Expansion of the IASB to 16 members by 2012 with a suggested geographical distribution.

Part 2 (effective as of March 2010)

Introduction of three-yearly public consultations on the IASB's technical agenda starting in 2011.

Emphasis that convergence is a means to facilitate the adoption of IFRSs as the ultimate objective of the Foundation.

A commitment to a 'principle-based' approach for IFRSs.

Specific designation of investors as a major target audience for financial statements.

Requirement to have due process in all circumstances and the introduction of an emergency due process procedure for the IASB in the most exceptional circumstances and only after approval by at least 75 per cent of the Trustees.

Creation of vice-chairs both for the Trustees and for the IASB.

Streamlining of names in use across the organisation to align them more closely with the standards.

Emphasis on consultation with a broader range of organisations with an interest in standard-setting, including prudential supervisors.

Working for enhanced accountability: Report of the Due Process Oversight Committee

The Committee focused in 2009 mainly on matters that respond directly to the issues raised by the G20 leaders and others and continued to consider changes and improvements to the due process and working procedures of the IASB.

The financial crisis has focused attention on the process of accounting standard-setting. In April 2009, following their London Summit, the G20 leaders called on the IASB Foundation: ‘within the framework of the independent accounting standard-setting process, [to] improve involvement of stakeholders, including prudential regulators and emerging markets, through the IASB’s constitutional review.’

Reiterating the importance of accounting standard-setting, in the statement released following their Pittsburgh Summit in September 2009 the G20 leaders stated:

‘... The International Accounting Standards Board’s (IASB) institutional framework should further enhance the involvement of various stakeholders.’

In his Chairman’s Report, Gerrit Zalm emphasises the importance that the Trustees attach to the points made by the G20 and other global stakeholders

about governance, stakeholder relations, and the timeliness of the IASB’s response to the financial crisis. The Constitution Review completed in January 2010, co-operation with the US Financial Accounting Foundation Trustees on convergence, a new Standards Advisory Council (including an enhanced dialogue with users) and an intensification of the Trustees’ outreach activities all responded directly to those points. In compliance with the G20 recommendations, the Trustees strongly supported the IASB’s creation of an enhanced dialogue with prudential supervisors and other market regulators.

Indeed, those actions taken by the Trustees built on the substantial body of work already in place and completed in 2009 by the Due Process Oversight Committee, which is the Trustees’ committee responsible for overseeing the IASB’s due process and consultation practices. A full report of the Committee’s activities in 2009 is

posted on the Foundation’s website. Furthermore, to facilitate better understanding of its work and to provide greater transparency, the Committee will maintain a page on the Foundation’s website which will provide regular updates of its activities.

In addition to reviewing the IASB’s formal compliance with its due process, the Committee focused in 2009 mainly on matters that respond directly to the issues raised by the G20 leaders and others. The Committee also continued its work of considering changes and improvements to the due process and working procedures of the IASB.

The Committee, working with the IASB, therefore carried out a survey of all IASB working group members. The survey has led to improvements in the IASB’s practices to ensure that there is more effective dialogue and feedback between the IASB and its working groups.



The Committee continued its practice of quarterly meetings and regular face-to-face meetings with the IASB. The Committee supported the IASB's deepening of its engagement with its stakeholders and its taking account of the Basel Committee's guiding principles and the report of the Financial Crisis Advisory Group (FCAG). While recognising the IASB's commitment to investors as the primary users of financial information the Committee is pleased that the IASB, amongst other actions, has already established an enhanced technical dialogue with prudential supervisors, market regulators and other stakeholders. The Committee is also pleased with the IASB's unprecedented global efforts to take into account the views of all stakeholders in the development of the new financial instruments standard, IFRS 9. In future, such an intensive outreach programme will be the norm on major standards.

The Committee reviews:

- Trustee performance against measures of effectiveness;
- the composition of advisory groups of the IASB to ensure balance of views and expertise put forward by the IASB;
- proposed procedures for its due process on new projects; and
- compliance with agreed procedures.

In 2009 the Committee established clear roles and responsibilities for the governance of the Foundation's XBRL IFRS taxonomy work and agreed to be the Committee responsible for overseeing the XBRL work at the Foundation. XBRL is playing a more important role in the way financial information is used. The commitment to XBRL represents a recognition that users require a single, trusted taxonomy based on IFRSs.

The enhanced governance surrounding the IFRS taxonomy is aimed at providing additional public accountability, assessing the adequacy of the quality assurance mechanism (the XBRL Quality Review Team), and reviewing the appropriateness of the scope of the Foundation's XBRL activities.



The Committee's priorities in 2010 are:

- to monitor the IASB's progress towards 2011 convergence;
- to assist the IASB in enhancing outreach activities;
- to review the efficiency of the Interpretation's Committee; and
- to determine the extent of involvement of the IASC Foundation in IFRS taxonomy extensions.

Lastly, the Committee reviewed letters expressing concern about the IASB's due process. When these concerns arise, the Committee investigates the matter thoroughly and discusses the issues amongst the Trustees and the IASB before taking action. The Committee has not yet found an instance of a breach of the IASB's due process. At the same time, the Committee has used these instances as an opportunity to improve the IASB's processes further.

While the continued improvement of the effectiveness of the IASB's due process and enhanced outreach remain at the heart of the Committee's focus, the Committee has set a number of specific priorities for 2010. First, in conjunction with a special subgroup of the Trustees,

including the chair of the Committee, the Committee will monitor the IASB's progress towards the June 2011 convergence goal. Second, the Committee will maintain its emphasis on assisting the IASB in enhancing outreach activities, particularly those targeted at the investor community and prudential supervisors. Third, much like its survey of working groups in 2009, the Committee will review the efficiency of the IFRS Interpretations Committee (previously called IFRIC). Lastly, XBRL remains a continuing area of interest. The Committee will work with the management team to determine the extent to which the Foundation should be involved with the development of common extensions to the IFRS taxonomy.

Trustees of the IASC Foundation

At 31 December 2009

- 1 Gerrit Zalm, Chairman**
Former Deputy Prime Minister and Finance Minister
The Netherlands
Term expires: December 2010

- 2 Philip A Laskawy, Vice-Chairman**
Chairman, Fannie Mae; Retired Chairman, Ernst & Young International
United States
Term expired: December 2009

Africa

- 3 Jeff van Rooyen**
CEO, Uranus Investment Holdings; former Vice Chairman, 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 Tsuguoki (Aki) Fujinuma**
Former Chairman and President, Japanese Institute of Certified Public Accountants (JICPA), Former President of the International Federation of Accountants (IFAC)
Japan
Term expires: December 2010

- 6 Zhongli Liu**
President, Chinese Institute of Certified Public Accountants; former Minister, Ministry of Finance
People's Republic of China
Term expires: December 2011

- 7 Jeffrey Lucy AM**
Chairman, the Australian Financial Reporting Council; former Chairman, the Australian Securities and Investments Commission
Australia
Term expires: December 2010

- 8 T V Mohandas Pai**
Member of the Board, Infosys Technologies Limited and Chairman, Infosys BPO Limited
India
Term expires: December 2011

- 9 Noriaki Shimazaki**
Special Adviser, former CFO and Member of the Board, Sumitomo Corporation
Japan
Term expires: December 2011



Europe

10 Clemens Börsig

Chairman of the Supervisory Board, Deutsche Bank AG
Germany
Term expires: December 2011

11 Bertrand Collomb

Honorary Chairman, Lafarge
France
Term expired: December 2009

12 Oscar Fanjul

Vice Chairman, Omega Capital; former Chairman, Founder and CEO, Repsol
Spain
Term expires: December 2010

13 Alicja Kornasiewicz

Member of the Board, CA IB Corporate Finance GmbH, Vienna, CEO; Chairman, CA IB Group
Poland
Retired: December 2009

14 Sir Bryan Nicholson GBE

Former Chairman, Financial Reporting Council
United Kingdom
Term expires: December 2011

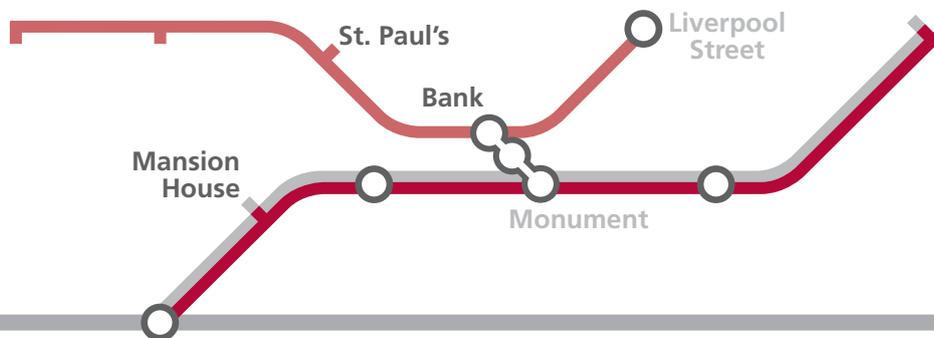
15 Luigi Spaventa

Former Chairman, Commissione nazionale per le società e la borsa (Consob) and Minister of the Budget
Italy
Term expires: December 2012

16 Antonio Vegezzi

President, Capital Italia Fund, former President and Director, Capital International
Switzerland
Term expires: December 2010





North America

- 17 Samuel A DiPiazza, Jr**
Retired Chief Executive Officer,
PricewaterhouseCoopers
International
United States
Term expires: December 2011
- 18 Scott Evans**
Executive Vice President –
Asset Management, TIAA-CREF
and Chief Executive Officer, TIAA-
CREF Investment Management LLC
United States
Term expires: December 2011
- 19 Robert Glauber**
Retired Chairman and Chief
Executive Officer, NASD Regulation;
former Under Secretary of the
Treasury for Finance
United States
Term expires: December 2011



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

- 21 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 and Chairman,
Global Container Terminals (GCT)
Canada
Term expires: December 2012



South America

- 22 Pedro Malan**
Former Chairman of the Board,
Unibanco; former Finance Minister
and President, Central Bank
Brazil
Term expires: December 2010



Successors for Trustees retiring at the end of 2009

New appointments

23 Yves-Thibault de Silguy
Chairman of the Board of VINCI,
former member of the European
Commission responsible for
economic, monetary and
financial affairs

France

Term starts: 1 January 2010

24 Harvey Goldschmid
Dwight Professor of Law, Columbia
University, former Commissioner,
US Securities and Exchange
Commission (SEC)

United States

Term starts: 1 January 2010

Reappointments

25 Jeff van Rooyen
South Africa

26 David Sidwell
United States

27 Luigi Spaventa
Italy

28 Paul Tellier
Canada



Senior staff of the IASC Foundation

Tom Seidenstein

Chief Operating Officer

Michael Butcher

Editorial Director

Mark Byatt

Director of Corporate Communications

Miranda Corti

Director of Finance and Resources

Ken Creighton

Director of IFRS Content Services

Olivier Servais

Director of XBRL Activities

Mike Wells

Director of IFRS Education Initiative

Members of the Monitoring Board of the IASC Foundation*

Member organisations at 31 December 2009

European Commission

Internal Market and Services Directorate General
Michel Barnier, Commissioner

Financial Services Agency of Japan

Katsunori Mikuniya, Commissioner

International Organization of Securities Commissions (IOSCO)

IOSCO Technical Committee

Hans Hoogervorst, Chairman (also Chairman of the Monitoring Board)

Emerging Markets Committee

Guillermo Larraín, Chairman

United States Securities and Exchange Commission (SEC)

Mary Schapiro, Chairman

Observer

Basel Committee on Banking Supervision

Nout Wellink, Chairman

* The Monitoring Board's main responsibilities are to ensure that the Trustees continue to discharge their duties as defined by the IASC Foundation constitution, as well as approving Trustee appointments.

The path to global standards

2001

IASB begins work
Announces initial
programme of nine
technical projects

2002

European Union passes
regulation to adopt IFRSs
for listed companies from
1 January 2005
IASB and FASB announce
initiative to achieve
convergence of financial
reporting standards and
to co-ordinate future
work programmes
After extensive consultation
with the Standards
Advisory Council, national
accounting standard-setters,
regulators and other
interested parties, IASB
announces new programme
of technical projects

2003

IASB issues first new
standard – IFRS 1
*First-time Adoption of
International Financial
Reporting Standards*
Australia, Hong Kong,
New Zealand and
South Africa committed
to adopt IFRSs
IASB begins broadcasting
its meetings over
the Internet

2004

IASB completes stable
platform of IFRSs
IASB enhances its due
process to achieve broader
stakeholder engagement
IASB concludes a
convergence agreement
with the Accounting
Standards Board of Japan

2005

In Europe nearly 7,000
listed companies in 25
countries simultaneously
switch to IFRSs
US SEC Chief Accountant
publishes 'roadmap'
describing steps
towards the removal
of the reconciliation
requirements by 2009
First IFRIC Co-ordinator
appointed

2

IASB

Financial reporting for global capital markets

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r	Senior staff of the IASB	44

2006

IASB and FASB agree Memorandum of Understanding for advancing convergence of IFRSs and US GAAP

China adopts accounting standards substantially in line with IFRSs – ultimate goal of full convergence

2007

Brazil, Canada, Chile, India, Japan and Korea establish time lines to adopt or converge with IFRSs – over 100 countries now require or permit the use of IFRSs

US SEC removes reconciliation requirement for non-US companies reporting under IFRSs, and consults on IFRSs for domestic companies

2008

Israel, Malaysia and Mexico to adopt IFRSs

US publishes 'roadmap' for IFRS adoption

IASB pursues comprehensive response to the financial crisis

2009

IASB issues *IFRS for SMEs*

As part of its work to address the recommendations of the G20 and others, the IASB concludes the first part of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*

Japan approves a roadmap for the adoption of IFRSs

Report of the Chairman of the IASB

In the past year the IASB made good progress towards achieving globally accepted financial reporting standards and completing the first phase of our project to improve and simplify the accounting for financial instruments.



SIR DAVID TWEEDIE
CHAIRMAN OF THE IASB

Our comprehensive response to the financial crisis has continued to dominate the work of the IASB. From its outset, we have worked on a defined programme with time lines to address issues related to financial reporting. Several official bodies, including the Group of 20 (G20), the Financial Stability Board, the European Commission, and other international groups of stakeholders have asked us to respond to specific issues they have identified.

On 9 November we met our commitment to conclude the first phase of the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* by issuing IFRS 9 *Financial Instruments*. We remain committed to issuing standards that present a comprehensive and improved solution to this complex and contentious area and provide international comparability.

Global financial reporting standards

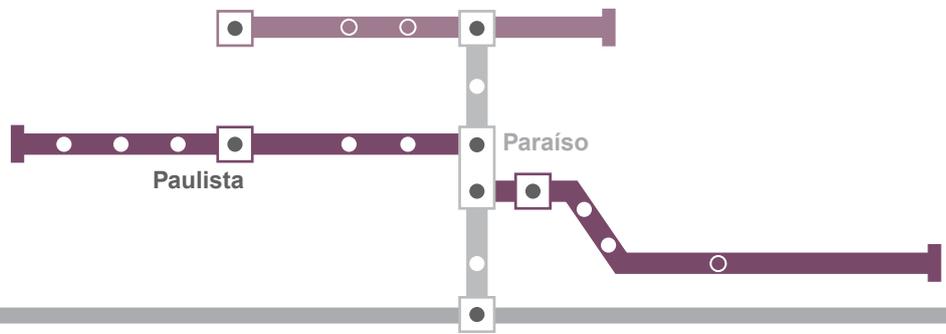
The financial crisis has highlighted the importance of global financial reporting requirements. I was delighted that a roadmap for the adoption of IFRSs in Japan was approved by the Japanese

Financial Services Agency in June 2009. The roadmap permits early adoption of IFRSs by listed companies for fiscal years beginning 1 April 2009. Brazil adopted IFRSs from 2010, and in the next two years Argentina, Canada, India, Indonesia, Korea, Malaysia, Mexico and Singapore will also be adopting IFRSs.

On 24 February 2010 the US Securities and Exchange Commission (SEC) voted unanimously to issue a statement affirming its support for IFRSs and confirmed its long-held plan to make a decision in 2011 on whether to incorporate IFRSs into the financial reporting system for US public companies.

The IASB's technical agenda

We continue to have an ambitious and challenging technical agenda. In 2009 we published 13 exposure drafts and one discussion paper. Out of those documents, five contained proposals on major projects (eg our projects on derecognition, fair value measurement, financial instruments – classification and measurement and amortised cost and impairment – and the discussion paper on lease accounting).



We continued our work on a more general project that will shape the way the financial statements are presented. We were also working on our projects to make narrower but important improvements to the reporting of pensions, and joint ventures.

Our agenda will continue to be dominated by projects that are included in the Memorandum of Understanding (MoU) with the US Financial Accounting Standards Board (FASB). The MoU projects will overhaul financial reporting in IFRSs and US GAAP for financial instruments, revenue recognition, the liability/equity distinction, and leases.

Our agenda also includes other projects that are important to many jurisdictions that are applying, or intending to apply, IFRSs. Those projects include insurance, emissions trading schemes and non-financial liabilities.

Working with the FASB

In October 2009 we produced a comprehensive plan, which we are updating every quarter, that outlines how we expect to complete each of the MoU projects. We also committed ourselves to hold meetings with the FASB

‘Our primary focus remains on making significant improvements to financial reporting.’

every month, rather than three times a year. These extra meetings help us to understand the thinking processes when the boards reach different conclusions and to address those differences.

The importance of June 2011

Our work programme is focused on substantially completing the MoU projects, and insurance, by 30 June 2011. Some commentators have suggested that the scale of the programme and the timetable are too ambitious. While I agree that the programme is ambitious, it is certainly achievable.

The G20 have urged us to complete our work by that date and many major economies have selected 2011 or 2012 as the year to adopt IFRSs on the basis of a completed programme.

I want to emphasise that our primary focus remains on making significant improvements to financial reporting. The Board will not issue a new standard

unless it is an improvement over its current requirements. As we have shown with IFRS 9 *Financial Instruments* we can finish expeditiously a high quality standard, with significant outreach work included, that garners respect internationally.

Indeed, I believe that defined targets and deadlines impose discipline and enable us to deliver much needed improvements sooner rather than later. We also know that the appetite for constant and major changes to IFRSs would be tested if we extended the timetable.

When the IASB, FASB, SEC and European Commission agreed on which projects would be covered by the MoU they were addressing the areas where the most substantial improvements in financial reporting were needed, both in IFRSs and US GAAP. By their nature, most of those projects are difficult and, potentially, contentious. But that makes their successful completion all the more worthwhile.

‘We remain committed to issuing financial instruments standards by the end of 2010 that will present a comprehensive and improved solution.’

Managing transition

We know that our technical agenda will put pressure on some entities, and on jurisdictions that must pass IFRSs into law, as we expose proposals for comment and complete our projects. Recognising these concerns, the Board decided to limit the dates when new requirements take effect to two points during any given year – 1 January and 1 July. The Board also decided that major projects completed in 2010 will not take effect before 1 January 2012 and those completed in 2011 will not be mandatory before 1 January 2013. It is possible that some IFRSs will have an even later effective date. We will be consulting the IFRS community in 2010 about steps we can take to make the transition to new IFRSs easier.

Enhanced stakeholder engagement

In developing a high quality and broadly accepted solution regarding the classification and measurement of financial assets (now IFRS 9 *Financial Instruments*), we conducted a consultation process that was unprecedented in its global outreach during a period of four months (for more details see our case study on page 32). As part of these

activities we have developed a range of new outreach tools, many of which we have now added to our other projects.

Investors

We have taken additional steps to engage with investors. We have appointed an Investor Relations Manager to work with the investor and analyst communities. At meetings of the IFRS Advisory Council we have special sessions to meet Council members from the investor community.

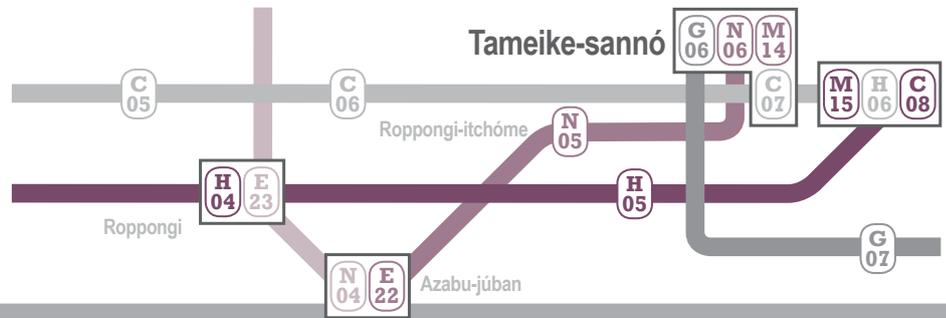
Prudential supervisors, market regulators and other stakeholders

In line with the G20’s recommendations, we are, in drafting our proposals, taking account of the Basel Committee’s guiding principles and the report of the Financial Crisis Advisory Group (FCAG). While recognising our commitment to investors as the primary users of financial information, we have, amongst other actions, already established an enhanced technical dialogue with prudential supervisors, market regulators and other stakeholders. This dialogue will ensure their deeper input in the development of new standards. We continue to have regular meetings with the Basel Committee and we are a member of the Financial Stability Board, where financial reporting issues are discussed regularly.

The national standard-setters are our partners in seeking to remove differences in accounting, worldwide. Although we meet the FASB more frequently than we meet any other standard-setter, that does not diminish the importance of other national standard-setters. We hold two joint meetings with the Accounting Standards Board of Japan, alternating between London and Tokyo. We have strengthened our interaction with the Chinese Ministry of Finance and will hold formal meetings at least twice a year. Board members also attend meetings with the European Financial Reporting Advisory Group (EFRAG) and other national standard-setters, including those of Australia, Canada, France, Germany, New Zealand, South Africa and the UK. Board members also attend regional conferences, including the recently formed Asia-Oceania Standard Setters Group as well as meeting national standard-setters in Europe, Asia and South America.

Acknowledgements

We are an international organisation that depends on the contributions and efforts of many people and many other organisations around the world. I and my fellow Board members greatly appreciate the help and advice we



receive from the many volunteers and well-wishers who give so generously of their time and expertise to the Board. We are particularly grateful for the extraordinary time given by members of our working and advisory groups.

The way the technical staff have responded to the demands placed on them has been exceptional. They know how challenging the months leading up to June 2011 will be but they are committed to the process of improving financial reporting globally.

Alan Teixeira (Technical Activities), Gavin Francis (Capital Markets), Peter Clark (Research), Michael Stewart (Implementation Activities), Wayne Upton (International Activities) and Paul Pacter (Standards – SMEs) form the team of directors who lead the development of the technical agenda. They have worked tirelessly over the last year, and they know they still have much to do.

Of course the technical team does not work in isolation. The infrastructure team that supports the technical activities feels the same pressures and has responded equally well. I am supported by a strong operations team led by our Chief Operating Officer Tom Seidenstein. Tom’s strategic leadership

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The number of days on which the IASB met in 2009.

has been critical over the last year. Tom’s team has been instrumental in shaping many changes to our operating systems and, importantly, the development of an *Investors in People* programme. I am grateful for the continuing support I receive from the operational directors Michael Butcher (Editorial), Mark Byatt (Communications), Miranda Corti (Finance and Resources), Ken Creighton (IFRS Content Services), Olivier Servais (XBRL Activities) and Mike Wells (Education Initiative).

Closer to me are my personal assistant Janet Smy, the executive assistants, Kathryn McArdle, Ailie Burlinson and Jill Robinson and the project administrators Fiona Dunne, Katherine Maybin and Jennifer Wilson. Between them they provide me, the Board members and the technical staff with tireless support. I hope they, and all of

the staff, realise how grateful I am for their efforts.

I must also thank my fellow Board members. I was saddened to have to bid farewell to Tom Jones and Mary Barth, who both retired from the Board after completing two terms. Tom has had a particularly long association with international standards and was instrumental in establishing the IASB. He has served so loyally as my deputy and, more importantly, as an adviser and friend. In their place, we welcomed Patrick Finnegan and Patricia McConnell, together with Amaro Luiz de Oliveira Gomes, our first Board member from South America.

To conclude, I want to record my special thanks to Gerrit Zalm, as Chairman of the Trustees, and to the other Trustees for their support, encouragement and advice.

Sir David Tweedie
Chairman of the IASB

Report on the technical activities of the IASB

In 2009, much of the technical work of the IASB continued to focus on issues related to the global financial crisis. The IASB continued to concentrate its work on areas addressed by the G20 in the conclusions of their Washington (November 2008) and London (April 2009) summits.



An overview of the technical work undertaken in the related areas is given below.

Fair value measurement

In May 2009, the IASB published an exposure draft on fair value measurement. The objectives of the project are to:

- clarify the definition of fair value;
- establish a single source of guidance;
- enhance disclosures about fair value measurements; and
- increase convergence between IFRS and US GAAP.

To ensure consistency between IFRSs and US GAAP, the proposals incorporated recent guidance on fair value measurement published by the US Financial Accounting Standards Board (FASB), and are consistent with a report of the IASB's Expert Advisory Panel published in October 2008 on fair value measurement in illiquid markets. Since then, the Board has continued to liaise with the panel as part of its consideration of comments received in relation to the exposure draft.

The Board has agreed a timetable with the FASB that should see the boards finalise common requirements for the

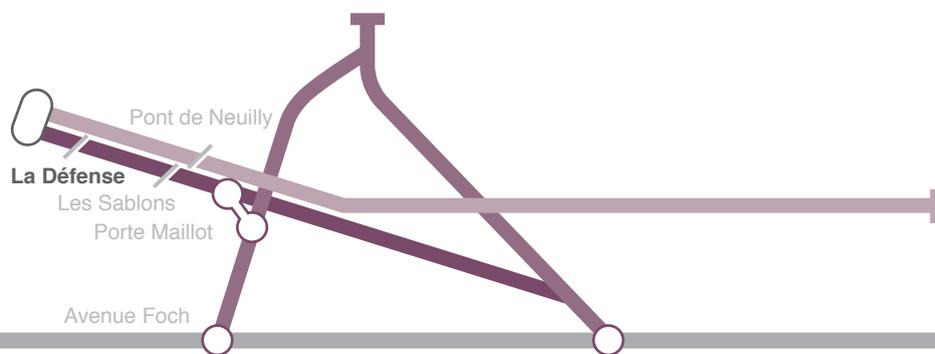
measurement of fair value in the second half of 2010. The boards are considering the comments received jointly, and the FASB has committed itself to amend US GAAP to ensure that IFRSs and US GAAP are aligned.

Accounting for off balance sheet items

The G20 emphasised the importance of improving the transparency of accounting related to off balance sheet items. The Board published proposals related to off balance sheet items (Consolidation in December 2008, and Derecognition in March 2009) which were discussed at round-table meetings in June 2009 in Toronto, Tokyo and London.

Consolidation

The IASB's proposals are aimed at strengthening and improving the requirements for identifying which entities a company controls, together with disclosure proposals regarding an entity's exposure to risks from its involvement with special purpose vehicles. Since the end of the comment deadline in March 2009, the IASB has discussed the project in four board meetings. The FASB agreed to develop new consolidation requirements, and to review the requirements that it recently



issued in relation to variable interest entities, with the objective of aligning IFRSs and US GAAP. As a consequence, the IASB is delaying finalising its consolidation standard until the second half of 2010, so that the FASB can expose similar proposals to those developed by the IASB. The boards will consider comments received jointly and expect to develop requirements that are aligned.

Derecognition

The IASB's proposals are aimed at addressing the complexity of the current requirements and at providing more useful information about the ongoing risks related to off balance sheet assets. The comment deadline for the derecognition proposals closed in July 2009. Comments received indicated qualified support for an alternative derecognition model, which was published as part of the proposals.

Disclosures related to risk

In March 2009, the IASB published improvements to the disclosure requirements about fair value measurements, and reinforced existing principles for disclosures about the liquidity risk associated with financial instruments.

The consolidation and derecognition proposals also included proposals for disclosures about risks not related to financial instruments of the entity reporting. The IASB expects to put those new requirements in place towards the end of 2010.

Reducing complexity of accounting for financial instruments

At the April 2009 summit, the G20 leaders called for accounting standard-setters 'to reduce the complexity of accounting standards for financial instruments'. The IASB had already made a commitment to achieve that objective, but the call for a common global approach from the G20 provided impetus to those efforts.

In order to be able to achieve that ambitious goal, the Board decided to split the project into three phases:

- classification and measurement;
- impairment; and
- hedge accounting.

This approach allowed the IASB to fulfil its commitment to the EU Finance Ministers and other international stakeholders to issue a final standard related to the prioritised portion of

'The G20 emphasised the importance of improving the transparency of accounting related to off balance sheet items.'

IAS 39, the classification and measurement of financial instruments, in time for use in 2009 year-end financial statements.

Classification and measurement (phase 1)

The Board accelerated its work and as a result published an exposure draft in July 2009. Driven by the wish not to compromise on consultation, despite the tight timetable, the IASB undertook unprecedented outreach efforts during the development of the final standard that were widely recognised (see case study on page 32). Many of these measures have come to be what the IASB considers best practice for its outreach efforts, and will be used for other major projects. As a result of the broad consultation and the intensive work, the IASB fulfilled its commitment and on 12 November 2009 it issued



IFRS 9 *Financial Instruments* on the classification and measurement of financial assets.

Financial liabilities and fair value changes related to own credit risk.

In June 2009, the Board published an Invitation for Comment on the issue of the effects of fair value gains arising from changes in a company's own credit risk.

The Board then included proposals for the accounting for financial liabilities and fair value changes related to own credit risk, as part of proposals for what became IFRS 9. However, the Board decided not to change the requirements for the classification and measurement of financial liabilities when it issued IFRS 9.

The Board expects to finalise its requirements for financial liabilities in the second half of 2010.

Ensuring embedded derivatives are assessed and separated if financial assets are reclassified.

In March 2010, the IASB published an IFRS clarifying that all embedded derivatives should be assessed and,

if necessary, separately accounted for in financial statements. This was in response to requests from participants in the credit crisis round tables that the IASB held in December 2008, who asked the IASB to act in order to prevent any diversity in practice developing as a result of the amendments made to IAS 39 *Financial Instruments: Recognition and Measurement* in October 2008 that permitted the reclassification of some financial assets in particular situations.

Impairment (phase 2)

On 5 November 2009, the Board published for public comment an exposure draft on provisioning. The proposals followed an initial *Request for Information* on the practicalities of moving to an expected loss model that was published in June 2009.

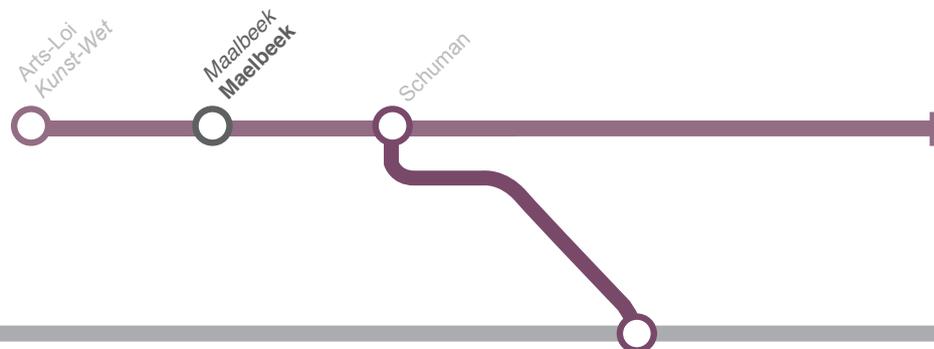
The exposure draft proposes to switch from an incurred loss model to an expected loss model. This switch would avoid the front-loading of interest revenue that occurs under the incurred loss model before a loss event is identified, and would better reflect the lending decision. Consequently, under the proposals, a provision against credit

losses would be built up over the life of the financial asset. Extensive disclosure requirements were proposed to provide investors with an understanding of the loss estimates that an entity judges necessary.

The Board is aware of the significant practical challenges of moving to an expected loss model. For this reason, it established in December 2009 an Expert Advisory Panel (EAP) comprising experts in credit risk management to advise the Board. The Board also set an eight-month comment period to allow adequate time for entities to consider the impact of such a change within their organisation. In concluding its work on this part of the project, the IASB will build on the unprecedented level of outreach activity that was undertaken in developing IFRS 9, and will also co-operate closely with the FASB with a view to agreeing a common approach to the impairment of financial assets.

Hedge accounting (phase 3)

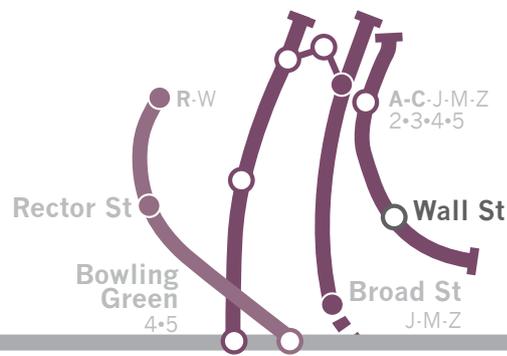
The IASB expects to publish an exposure draft on improving and simplifying hedge accounting in the second half of 2010.



Overview of other MoU projects

Project	Objective	Update
Financial statement presentation	To provide a clearer presentation in financial statements and so make it easier for users of financial statements to follow the flow of information through the statements.	<p>October 2008 – April 2009: comment period on the joint IASB/FASB discussion paper. The IASB received 220 comment letters.</p> <p>July 2009 – March 2010: the Board and the FASB considered, in nine board meetings, the comment letters and the results of field tests.</p> <p>November 2009: the boards decided to consider, as a separate proposal, to remove the option of being able to present Other Comprehensive Income on a separate schedule. The boards think that this change would make a significant contribution to the comparability of financial statements.</p>
Revenue recognition	The proposals are intended to improve existing practice by clarifying the principles for revenue recognition, and by ensuring that similar types of activities are accounted for in a similar way, whatever the industry in which those activities take place.	<p>December 2008 – June 2009: comment period on the joint IASB/FASB discussion paper. The IASB received 221 comment letters.</p> <p>July – ongoing: by December 2009 the project had been discussed in five board meetings.</p> <p>December 2009: the boards conducted several workshops to test the proposals and received encouraging feedback.</p>
Leases	The objective is to develop a new improved accounting model by 2011. The discussion paper presented preliminary views on the main components of a lessee accounting model.	<p>March – July 2009: comment period on the joint IASB and FASB discussion paper. The IASB received 295 comment letters.</p> <p>September – ongoing: the Board discussed the project in four meetings up to December 2009. In response to many comments received, the boards decided to develop proposals for accounting for leases from the perspective of both, the lessor and the lessee.</p>
Post-employment benefits (including pensions)	The project aims to address key issues in the current accounting for post-employment benefits through targeted improvements by 2011.	<p>March – September 2009: discussion paper comment period. The IASB received 150 comment letters.</p> <p>The discussion paper contained proposals on recognition and presentation for all defined benefit plans. However, to meet its commitment to deliver improvements to the accounting for pensions by mid-2011, the Board decided not to address contribution-based promises.</p> <p>May 2010: exposure draft published.</p>

Project	Objective	Update
Financial Instruments with characteristics of equity (liabilities and equity)	The objective is to replace IAS 32 <i>Financial Instruments: Presentation</i> and the extensive literature in US GAAP.	The boards have begun developing an exposure draft for a proposed standard using existing IFRS as a starting point.
Income taxes	The objective is to improve the accounting for income tax by eliminating exceptions from the basic model common to both IAS 12 <i>Income Taxes</i> and SFAS 109 <i>Accounting for Income Tax</i> .	<p>March – July 2009: exposure draft comment period. The IASB received 167 comment letters.</p> <p>As a result of the input received, both boards decided not to proceed with the proposals in their current form.</p> <p>The IASB is aware of the need to address what many perceive to be weaknesses in the current requirements in relation to those jurisdictions that do not tax capital gains on the disposal of real property.</p> <p>The Board is assessing how best to address these concerns.</p>
Joint ventures	The project objective is to improve the accounting for, and the quality of, the information being reported about, joint arrangements – which include joint ventures and joint operations.	April 2008 – December 2009: the Board undertook additional outreach and discussed the project in three board meetings.
Conceptual framework	The project aims to create a sound foundation for future accounting standards to ensure that they are principle-based and internally consistent.	The boards are close to finalising the first two chapters of the new <i>Conceptual Framework</i> , dealing with the <i>objective</i> and <i>qualitative characteristics</i> , and have published an exposure draft on the reporting entity concept.



Overview of other joint projects

Project	Objective
Insurance contracts	The Board is developing an IFRS to replace the interim standard, IFRS 4 <i>Insurance Contracts</i> , to provide a basis for consistent accounting for insurance contracts. In October 2008 the FASB joined the IASB on the project.
Emissions trading schemes	The project focuses on the accounting for emissions trading schemes. Carbon schemes have been high on the agenda of the G20 and the boards reinvigorated the project in 2009.

Other improvements and research projects

Project	Improvements
Discount Rate for Employee Benefits (Amendments to IAS 19)	Responses to the exposure draft published in August 2009 indicated that the proposed amendment raised more complex issues than were justifiable for a short-term project. The Board therefore decided not to proceed with the amendment.
Rights Issues	The project addressed the issue that the application of IAS 32 could lead to large accounting losses for a successful capital raising when the rights are issued in a foreign currency. October 2009: amendments published.
Related Party Disclosures	The amendments simplify the definition of a related party and clarify what related party disclosures are appropriate when the state has a controlling or significant investment in the reporting entity. November 2009: amendments published.
Employee Benefits	The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. November 2009: amendments to IFRIC 14, which is itself an interpretation of IAS 19 <i>Employee Benefits</i> published.

Project	Improvements
Liabilities (revision to IAS 37)	<p>This is a project to revise IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, the IASB’s general standard on uncertain liabilities (sometimes known as provisions).</p> <p>January 2010: the Board reached its decisions on most aspects of the project. However, because the Board decided to change the way it described how to measure this type of liability in January 2010 the Board invited additional comments on this one aspect of the original proposals (ie a re-exposure).</p>
Management Commentary	<p>The Board thinks that guidance that sets out a framework for the preparation of management commentary and establishes principles for its structure, content and presentation will benefit those jurisdictions that do not have any requirements or guidance for the preparation of management commentary (or MD&A as it is called in some jurisdictions).</p> <p>June 2009: exposure draft published.</p>
Rate-regulated Activities	<p>The project aims to clarify the circumstances in which rate regulated activities should cause an entity to recognise a liability (or an asset) as a result of rate regulation by regulatory bodies or governments.</p> <p>July 2009: exposure draft published.</p>
Extractive Activities	<p>April 2010: The IASB published a discussion paper written by representatives from the national standard-setters of Australia, Canada, Norway and South Africa outlining ways in which the IASB could develop an IFRS to supersede IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> <p>The Board will use the feedback it receives to help it assess whether it should add this project to the list of topics to be added to the Board agenda after June 2011.</p>

Tailored to the needs and capabilities of smaller businesses around the world: the IFRS for SMEs

After nearly six years of work the IASB issued the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* in July 2009. It is a self-contained, 230-page standard tailored to the needs and capabilities of smaller businesses around the world.



PAUL PACTER, DIRECTOR,
STANDARDS – SMES, CHAIRMAN,
SME IMPLEMENTATION GROUP*

The standard aims to facilitate SMEs' access to capital markets by ensuring the provision of comparable, transparent and high quality financial reports.

Compared with full IFRSs and many sets of national accounting standards, the *IFRS for SMEs* is simplified in a number of ways: it omits topics not relevant to SMEs, limits accounting policy choices, simplifies the principles for recognition and measurement, and requires fewer disclosures. Any jurisdiction can decide to adopt the *IFRS for SMEs* regardless of whether it has adopted or is converging with full IFRSs. In the nine months after it was issued, over 60 jurisdictions have decided to adopt it or have publicly stated an intention to do so.

Paul Pacter, the IASB's Director of Standards for SMEs*, has shepherded the project throughout the six years, including outreach activities involving over 140 round tables and presentations. He will also chair the new SME Implementation Group responsible for implementation questions raised by users of the *IFRS for SMEs*.

To facilitate the adoption and the implementation of the *IFRS for SMEs*, the IFRS Foundation's Education Initiative, headed by Mike Wells, is developing comprehensive self-study training materials that are freely available for download on the IASB's website, and is organising regional 'train-the-trainers' workshops, primarily in emerging markets.

'In the nine months after the IFRS for SMEs was issued, over 60 jurisdictions have decided to adopt the standard or have publicly stated an intention to do so.'

* Paul Pacter was appointed as a member of the IASB in April 2010 and will begin his term in July 2010.

Case study *Financial Instruments: Classification and Measurement*

The project

At the request of many international stakeholders, the IASB accelerated its reform of financial instruments accounting with a view to completing the first phase of this work in time for optional use for 2009 year-end financial statements.

This first phase of the project dealt with the classification and measurement of financial assets. Subsequent phases deal with the classification and measurement of financial liabilities, loan-loss provisioning and hedge accounting.

In undertaking the reform of financial instruments accounting the IASB is also seeking to provide comparability internationally in the accounting for financial instruments through its convergence work with the FASB.

The outreach

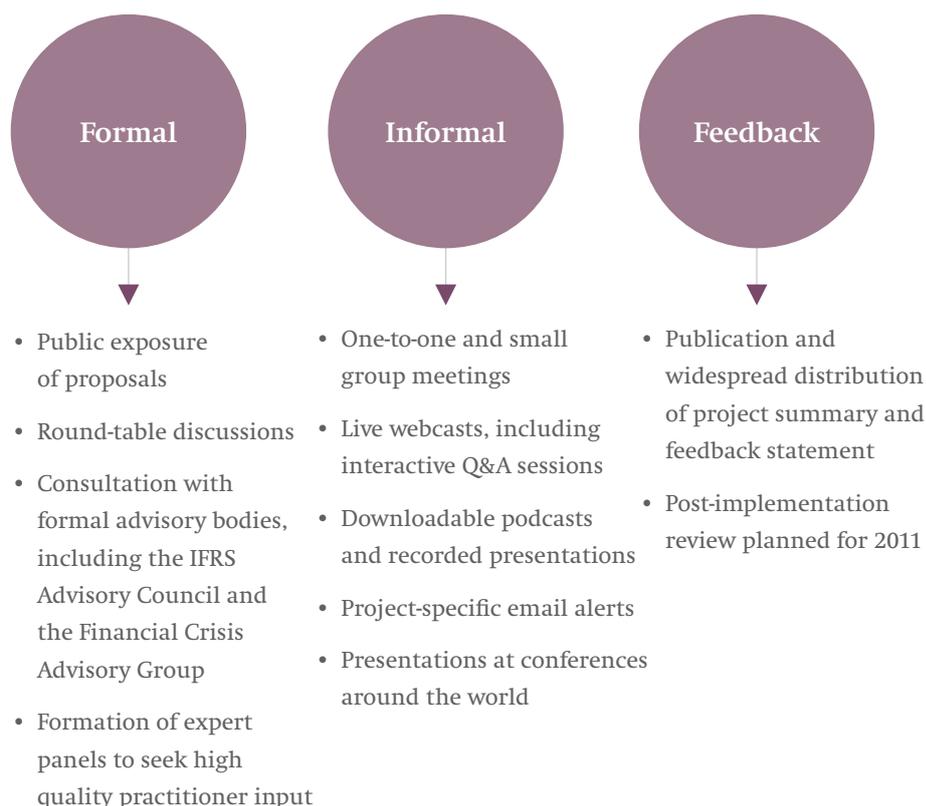
The IASB undertook an extensive programme of stakeholder outreach in order to develop a high quality IFRS in a timely manner but also one that has been subjected to rigorous and extensive due process.

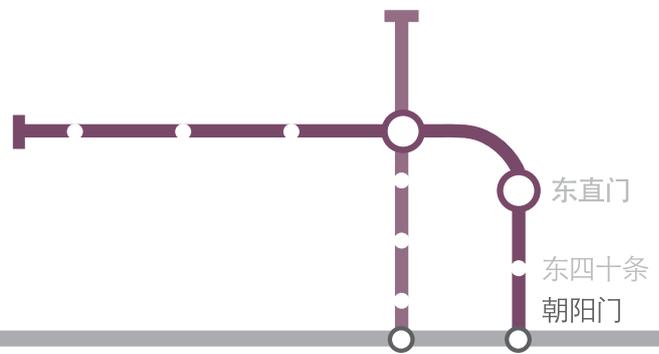
The outreach programme built upon the existing due process normally followed by the IASB in developing standards, but was further enhanced to keep interested parties informed and to ensure that consultations were extensive and broad-based.

To achieve this, the IASB made use of a range of formal and informal outreach activities, as well as introducing new ways to seek the views of interested parties.

Many of these innovations are now routinely used for outreach activities supporting other major projects.

IASB consultation methods

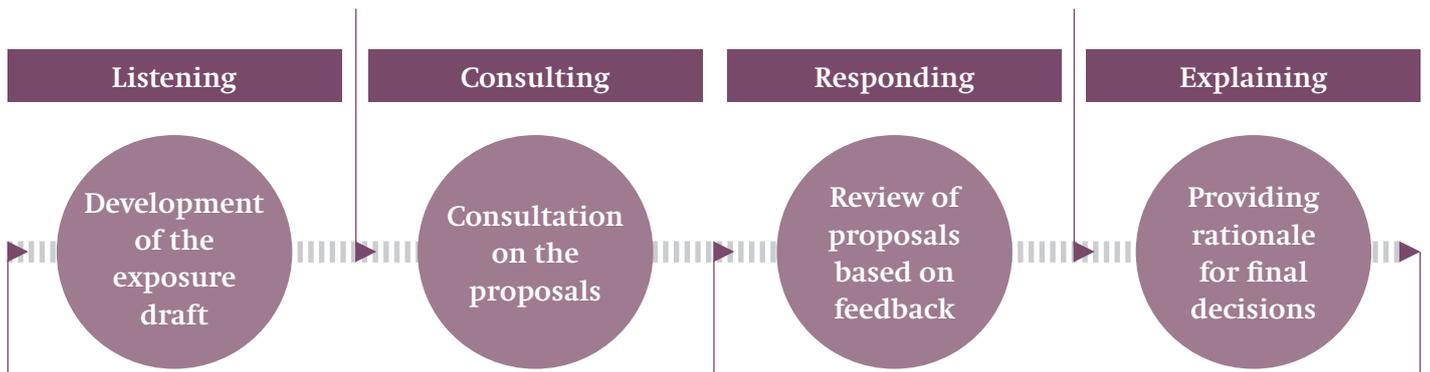




The milestones

July 2009 Publication of ED *Financial Instruments: Classification and Measurement*

November 2009 IFRS 9 – *Financial Instruments Classification and Measurement* issued



April 2009 IASB announces phased approach to the replacement of IAS 39

September 2009 End of comment period, start of Board discussions

Critical areas are subject to review two years after implementation

The facts

The outreach

- 2982 subscribers to a special email alert
- 6000+ participants across ten live webcasts
- 245 comment letters from organisations and individuals in over 18 countries
- 100+ one-to-one small group discussions
- 100+ participants in just one of the analyst conference calls
- 33 hours of Board discussions on the feedback received
- 3 public round-table discussions in Japan, the UK and the US

The changes

After considering the feedback received the IASB enhanced its original proposals, it:

- **enhanced** the importance of an entity's business model for deciding how to classify financial instruments
- **separated** consideration of the classification and measurement of financial liabilities from the proposals
- **required** the reclassification of financial instruments when the business model changes

The IFRS

IFRS 9 enhances the ability of investors and other users to understand the accounting of financial assets and reduces complexity by:

- reducing the number of classification and measurement categories
- introducing a classification that provides useful information about future cash flows
- eliminating complex and rule-based requirements for embedded derivatives
- establishing a single impairment method

Report of the Chairman of the IFRS Interpretations Committee

The IFRS Interpretations Committee* had a productive year. It met five times, considered a total of 42 issues, and completed two interpretations.



ROBERT GARNETT
IASB MEMBER AND CHAIRMAN OF THE
IFRS INTERPRETATIONS COMMITTEE

IFRIC 18 *Transfers of Assets from Customers* addressed an issue in the utilities industry. IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addressed the accounting for certain loan restructurings, commonly known as ‘debt for equity swaps’, that had become more prevalent in the current economic climate.

Among the other issues considered, two were related to the financial crisis. The first, accounting for rights issues, was ultimately dealt with by the Board as an urgent amendment to IAS 32 *Financial Instruments: Presentation*. The second issue arose from an urgent need for guidance for assessing when an impairment charge should be recognised for some financial assets. Exceptionally, the Interpretations Committee provided this guidance through IFRIC *Update*, after a period for public comment.

In 2009 the Board asked the Committee to take a larger role in the development of amendments to IFRSs through the annual improvements process from January 2010. Members of the Interpretations Committee are in a good position to identify whether small improvements suggested to the Board are, in fact, necessary. However, the Board

retains responsibility for considering and approving any improvements that the Committee recommends should be made.

During 2009 Ken Wild, a member since 2002, retired and was replaced by Laurence Rivat, a partner at the national office of Deloitte France, who was appointed for a three-year term beginning on 1 July 2009. Three members were reappointed for an additional three-year term — Sara York Kenny, Takatsugu Ochi and Ruth Picker. On the staff side, we said farewell to Tricia O’Malley, who was appointed Chair of the Canadian Accounting Standards Board. Michael Stewart succeeded her as Director of Implementation Activities.

My thanks go to Ken and Tricia for their contributions, and to the members of the Interpretations Committee and staff for their continued hard work and enthusiasm in addressing the many and varied issues we receive.

Robert Garnett
IASB Member and Chairman of the IFRS
interpretations Committee

* Previously called IFRIC, the Committee’s name was changed to IFRS Interpretations Committee as part of the Constitution Review in January 2010.

Report of the Chairman of the IFRS Advisory Council

I am pleased to submit my first report of the reconstituted IFRS Advisory Council*. Council members represent some 50 major organisations, including users, reporting entities, auditors, regulators, academics and standard-setting bodies from Africa, Asia/Oceania, Europe and North and South America.



PAUL CHERRY
CHAIRMAN OF THE IFRS
ADVISORY COUNCIL

This broad representation provides for diverse and widespread feedback on strategic issues relating to the major projects and priorities and the application and implementation of IFRSs.

Another role of the Council is to be effective ambassadors for the promotion of IFRSs. Various channels have been introduced to harness this potential, including interactive web-based software, conference calls and questionnaires to enable us to provide our views on a timely basis. To assist us in promoting IFRSs, optional education sessions on major technical projects have been introduced which brief Council members on the technical issues. Representatives of user organisations also meet separately, recognising the importance of involving users in standard-setting. Another session focuses on the special needs of emerging markets. Additional staff resources have also been put in place to support our work.

In 2009, the Council monitored progress against the IASB's current work plan. We are concerned about the burden it places on staff and constituents and have cautioned that the quality and integrity of the standards should not be compromised for the sake of speed.

We have also monitored and supported the IASB's response to the financial crisis, in particular praising the exceptional outreach efforts. The Council is, however, disturbed that the IASB and FASB might disagree on this critical topic. We also provided our views on certain aspects of the Constitution Review, in particular urging a more formal process, including periodic public consultation, on the IASB technical agenda in which the Council would play a central role. Members also expressed the view that, even in crisis situations, due process should include a reasonable opportunity for all constituents to provide input.

* Previously called SAC, the Council's name was changed to IFRS Advisory Council as part of the Constitution Review in January 2010.

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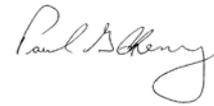
The current number of members of the IFRS Advisory Council.

Looking ahead, we have begun exploring the strategic considerations that should drive the technical agenda after 2011. We envisage a shift in emphasis from convergence per se to adopting IFRSs, allowing constituents to successfully integrate and apply the numerous major new and revised standards coming into effect in the next few years. We will continue this discussion with the Board and Trustees next year.

I am greatly encouraged by the reports of Council members on progress in adopting IFRSs and the development of infrastructure, including regional bodies, to foster the consistent interpretation

and application of IFRSs. Council members will do what we can to assist these important initiatives.

Finally, I would like to express my sincere appreciation to my fellow Council members for their assistance and support, especially my Vice-Chairmen, Charles Macek and Patrice Marteau, and the staff.



Paul Cherry
Chairman of the IFRS Advisory Council

Due process documents published in 2009

Exposure drafts	
January	Post-implementation Revisions to IFRIC Interpretations
March	Income Tax
March	Derecognition
May	Prepayments of a Minimum Funding Requirement
May	Fair Value Measurement
June	Management Commentary
July	Financial Instruments: Classification and Measurement
July	Rate-regulated Activities
August	Classification of Rights Issues
August	Discount Rate for Employee Benefits
August	Improvements to IFRSs
November	Financial Instruments: Amortised Cost and Impairment
November	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRSs and amendments to IFRSs	
March	Improving Disclosures about Financial Instruments
March	Embedded Derivatives
April	Improvements to IFRSs
June	Group Cash-settled Share-based Payment Transactions
July	IFRS for SMEs
July	Additional Exemptions for First-time Adopters
October	Classification of Rights Issues
November	IAS 24 Related Party Disclosures
November	IFRS 9 Financial Instruments: Classification and Measurement
November	Prepayments of a Minimum Funding Requirement

Discussion paper	
March	Leases – Preliminary views, joint IASB/FASB DP
Draft Interpretation	
August	D25 Extinguishing Financial Liabilities with Equity Instruments
Interpretations	
January	IFRIC 18 Transfers of Assets from Customers
November	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Members of the IASB

At 31 December 2009

1 Sir David Tweedie
Appointed: January 2001
Term expires: 30 June 2011

2 Stephen Cooper
Appointed: July 2007
Term expires: 30 June 2012

3 Philippe Danjou
Appointed: July 2006
Term expires: 30 June 2011

4 Jan Engström
Appointed: May 2004
Term expires: 30 June 2014

5 Patrick Finnegan
Appointed: July 2009
Term expires: 30 June 2014

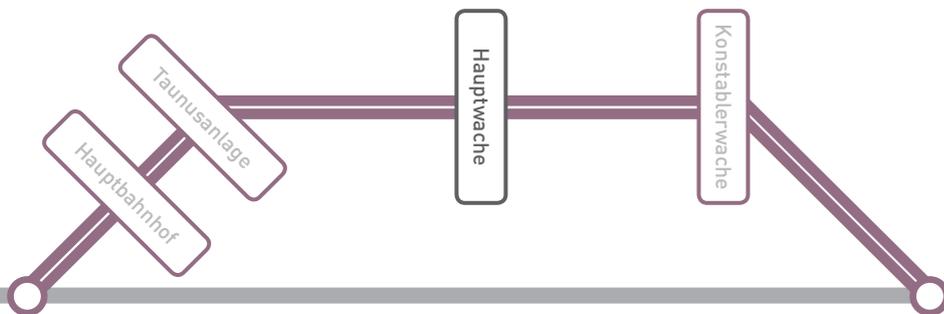
6 Robert P Garnett
Appointed: April 2001
Term expires: 30 June 2010

7 Gilbert Gélard
Appointed: January 2001
Term expires: 30 June 2010

8 Amaro Luiz de Oliveira Gomes
Appointed: 1 July 2009
Term expires: 30 June 2014

9 Prabhakar Kalavacherla ('PK')
Appointed: January 2009
Term expires: 30 June 2013





- 10 James J Leisenring**
Appointed: January 2001
Term expires: 30 June 2010
- 11 Patricia McConnell**
Appointed: July 2009
Term expires: 30 June 2014
- 12 Warren J McGregor**
Appointed: January 2001
Term expires: 30 June 2011

- 13 John T Smith**
Appointed: September 2002
Term expires: 30 June 2012
- 14 Tatsumi Yamada**
Appointed: January 2001
Term expires: 30 June 2011
- 15 Wei-Guo Zhang**
Appointed: July 2007
Term expires: 30 June 2012

Board members retiring during 2009

- 16 Thomas E Jones**
Appointed: January 2001
Term expired: June 2009
Vice Chairman 2001 – 2009
- 17 Mary E Barth**
Appointed: January 2001
Term expired: June 2009



Members of the IFRS Interpretations Committee*

At 31 December 2009

Name and affiliation	Term expires
Luca Cencioni Senior Accounting Manager Eni S.p.A Italy	30 June 2011
Guido Fladt Partner PricewaterhouseCoopers Germany	30 June 2010
Bernd Hacker Head of Standard Setter Liaison and Financial Instruments Accounting Policies Siemens Germany	30 June 2010
Sara York Kenny Principal Accounting Policy Advisor (retired) International Finance Corporation (member of the World Bank Group) United States	30 June 2012
Jean-Louis Lebrun Partner Mazars & Guerard France	30 June 2011
Takatsugu Ochi General Manager, Planning and Administration Department Sumitomo Corporation Japan	30 June 2012
Jean Paré Vice President, Financial Reporting Bombardier Canada	30 June 2011
Joanna Perry Company Director and Current Chair Financial Reporting Standards Board New Zealand	30 June 2011
Ruth Picker Partner – Technical Consulting Group, Global IFRS Ernst & Young Australia	30 June 2012

Name and affiliation	Term expires
Laurence Rivat Partner Deloitte & Associés (France) France	30 June 2012
Darrel Scott Head of Group Finance FirstRand Banking Group South Africa	30 June 2010
Margaret M (Peggy) Smyth Vice President, Controller, United Technologies Corp United States	30 June 2011
Scott Taub Managing Director, Financial Reporting Advisors, LLC, United States, and former Acting Chief Accountant and Deputy Chief Accountant, US Securities and Exchange Commission United States	30 June 2011
Andrew Vials Partner KPMG LLP United Kingdom	30 June 2010

Non-voting Chairman

Robert P Garnett
Member, International Accounting Standards Board

Official Observers

European Commission
The International Organization of Securities Commissions

* The IFRIC was renamed the IFRS Interpretations Committee in January 2010.

Members of the IFRS Advisory Council*

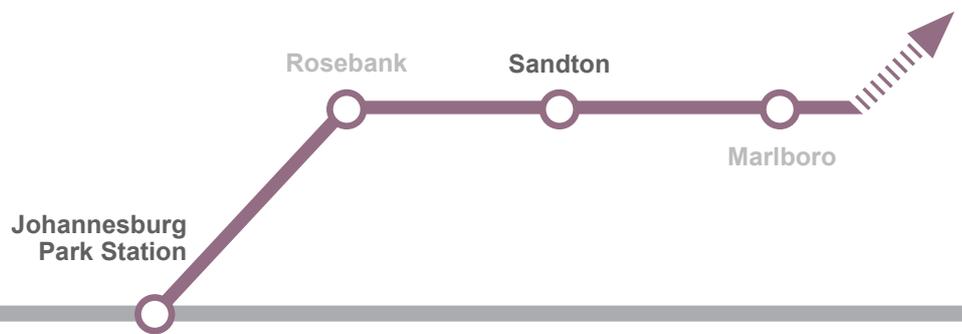
At 31 December 2009

CHAIRMAN	VICE-CHAIRMEN (appointed February 2009)
<p>Paul Cherry Consultant, Paul Cherry Professional Corp, former Chair, Canadian Accounting Standards Board</p>	<p>Charles Macek Non-executive Director, Wesfarmers Ltd Former Chairman, Australian Financial Reporting Council</p> <hr/> <p>Patrice Marteau Chairman, ACTEO and Chairman Accounting Committee, Business Europe</p>

Represented body	Name	Occupation
Associated Chambers of Commerce of India/The Stock Exchange, Mumbai	Narendra Sarda	Chairman, Deloitte Haskins Sells & Affiliates
Association of Banks in Singapore	Surya Subramanian	Director, Financial Reporting Oversight Division, Accounting and Corporate Regulatory Authority (ACRA)
Association of British Insurers/ Investment Management Association	Liz Murrall	Director, Corporate Governance and Reporting, Investment Management Association
Basel Committee on Banking Supervision	Sylvie Matherat	Director, Financial Stability Directorate, Banque de France; Chair of the Accounting Task Force, Basel Committee
BDO International	Andrew J Buchanan	Global Head of IFRS
Brazilian Association of Listed Companies	Geraldo Toffanello	Accounting Director, GERDAU Group
CFA Institute	Dane Mott	Executive Director, JP Morgan Securities Inc
Committee of European Securities Regulators	Richard Thorpe	Head of Capital Adequacy Policy Department and Accounting and Auditing Sector, UK Financial Services Authority
Corporate Reporting Users' Forum (International)	Norbert Barth	Executive Director Analyst, WestLB AG
Council of Institutional Investors (USA)	Gail L Hanson	Deputy Executive Director, State of Wisconsin Investment Board
Deloitte	Joel Osness	Global IFRS Leader, Clients & Markets Partner, Deloitte & Touche LLP
European Central Bank	Mauro Grande	Director, General Financial Stability
European Financial Reporting Advisory Group	Stig Enevoldsen	Chairman and CEO

* The SAC was renamed the IFRS Advisory Council in January 2010.

Represented body	Name	Occupation
European Insurance and Reinsurance Federation	Jacques Le Douit	Accounting Research and Development Senior Director, AXA
European Issuers/European Round Table of Industrialists	Christoph Hütten	Senior Vice President and Chief Accounting Officer, SAP AG
Ernst & Young	Leo van der Tas	Global Technical Director, IFRS
Fédération Internationale des Experts-Comptables Francophones	Benoît Atangana Onana	Former President, Institute of Chartered Accountants of Cameroon; Senior Partner and General Manager, African Consulting Enterprise; Member of National Education Private Sector
Financial Executives International (Canada)	Karyn Brooks	SVP and Controller, Bell Canada Enterprises
Financial Executives International (US)	Jamie Miller	Vice President and Controller, General Electric Company
Grant Thornton	April Mackenzie	Global Head of Public Policy and external affairs
Group of European national standard-setters (France, Germany, Italy and the UK). Representation rotates annually among the Group.	Piero di Salvo, Italy (for 2009)	Secretary General, Organismo Italiano della Contabilità
Group of 100 (Australia)	Judith Downes	Chief Financial Officer, Alumina Limited
Group of North American Insurance Enterprises (GNAIE)	Jerry M de St Paer	Executive Chairman
Hong Kong Institute of Certified Public Accountants	P M Kam	Chief Executive Officer, Financial Reporting Council
Institute of International Finance	Will Widdowson	Head of Group Accounting Policy and Group SOX Officer, UBS AG
International Actuarial Association	Francis Ruijgt	Deputy Chief Risk Officer, ING Insurance Benelux
International Association for Accounting Education & Research	Hollis A Skaife	Professor of Accounting, Wisconsin School of Business
International Association of Insurance Supervisors	Henning Goebel	Chief Accountant, Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
International Corporate Governance Network	Gerben Everts	Manager Corporate Finance, Control & Risk Management APG All Pensions Group



Represented body	Name	Occupation
International Federation of Accountants	Jim Sylph	Executive Director, Professional Standards
International Monetary Fund	Kenneth Sullivan	Senior Financial Sector Expert
International Organization of Securities Commissions (IOSCO)	Sophie Baranger	Chief Accountant Autorité des Marchés Financiers <i>(Alternating with Christoph Ernst)</i>
	Christoph Ernst	Head of Accounting and Auditing Law Division Federal Ministry of Justice, Germany <i>(Alternating with Sophie Baranger)</i>
	Marcos Barbosa Pinto	Commissioner Securities and Exchange Commission of Brazil
Investment Company Institute (USA)	Donald J Boteler	Vice President, Operations
Investors' Technical Advisory Committee (USA)	Neri Bukspan	Chief Quality Officer and Chief Accountant, Standard & Poor's
Korea Accounting Standards Board	Chanhong Kim	Vice Chairman
KPMG	Mark Vaessen	Head of IFRS, KPMG Europe LLP
Ministry of Finance, People's Republic of China, China Accounting Standards Committee	Liu Yuting	Director-General of Accounting Regulatory Department of MOF, member of CASC
Nippon Keidanren (Japan)	Shozo Yoneya	Corporate auditor, Itochu Corporation
PricewaterhouseCoopers	Richard Keys	Leader, Global Accounting Consulting Services
Securities Analysts Association of Japan	Sei-Ichi Kaneko	Executive Vice President and Member of the Board
South Africa Accounting Practices Board	Moses Kgosana	Chief Executive, KPMG
South Asian Federation of Accountants (SAFA)	Reyaz Mihular	Chairman, Accounting and Auditing Standards Committee
World Bank	Charles McDonough	Vice President and Controller

OBSERVER ORGANISATIONS

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission

Senior staff of the IASB

At 31 December 2009

Peter Clark

Director of Research

Gavin Francis

Director of Capital Markets

Paul Pacter*

Director, Standards — SMEs, Chairman of the SME
Implementation Group

Michael Stewart

Director of Implementation Activities

Alan Teixeira

Director of Technical Activities

Wayne Upton

Director of International Activities

* Paul Pacter was appointed as a member of the IASB in April 2010 and will begin his term in July 2010.

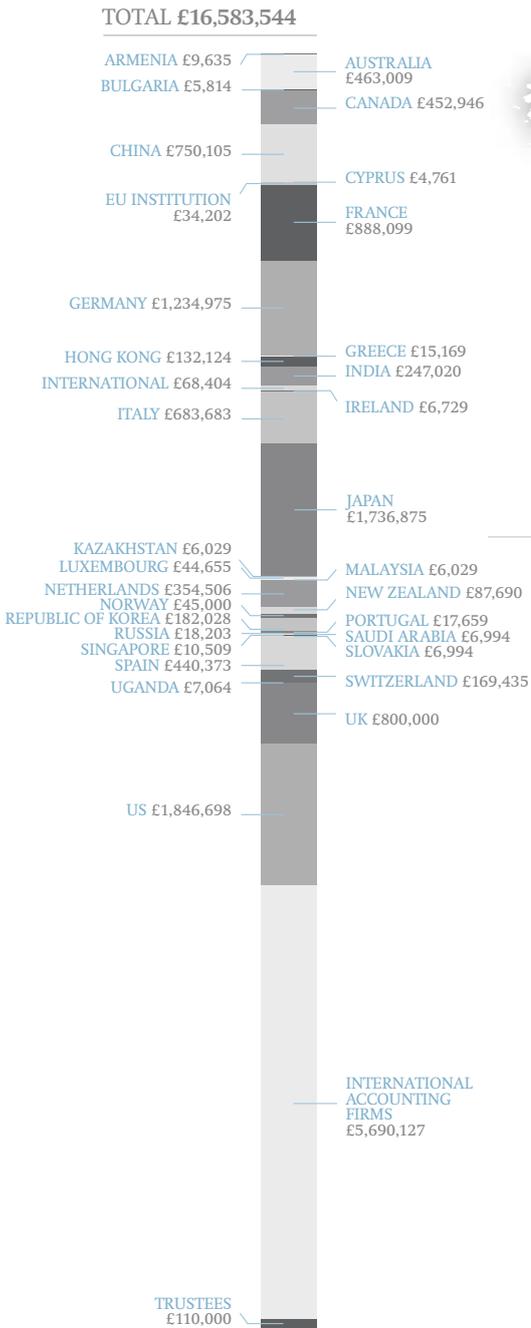
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Financials

s	2009 financial supporters	46–50
t	Expected financing for 2010	51–53
u	Report of the independent auditors	54
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w	Statement of financial position	56
x	Statement of cash flows	57
y	Notes to the financial statements	58–68

2009 financial supporters

Chart showing country donation in £s

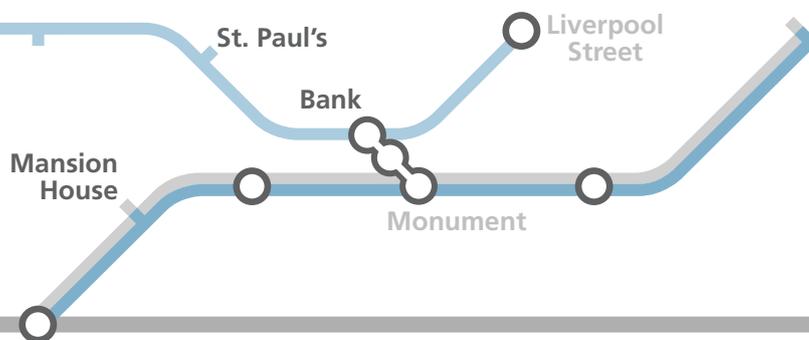


World map showing donations by country



Key:

- | | | |
|--------------|----------------------|-----------------|
| 1 Armenia | 12 Ireland | 23 Russia |
| 2 Australia | 13 Italy | 24 Saudi Arabia |
| 3 Bulgaria | 14 Japan | 25 Singapore |
| 4 Canada | 15 Kazakhstan | 26 Slovakia |
| 5 China | 16 Luxembourg | 27 Spain |
| 6 Cyprus | 17 Malaysia | 28 Switzerland |
| 7 France | 18 The Netherlands | 29 Uganda |
| 8 Germany | 19 New Zealand | 30 UK |
| 9 Greece | 20 Norway | 31 US |
| 10 Hong Kong | 21 Portugal | |
| 11 India | 22 Republic of Korea | |



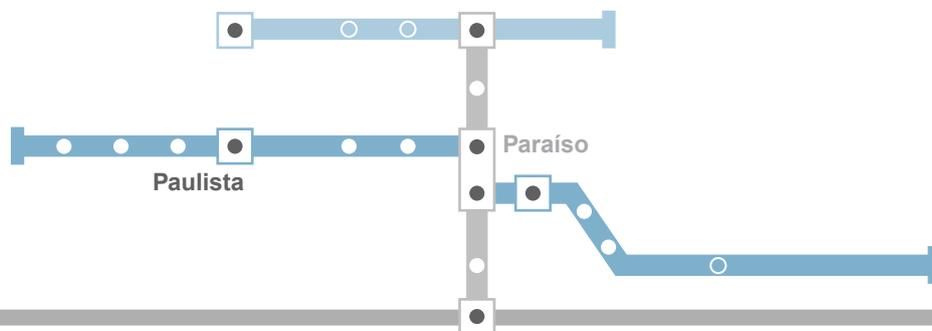
2009 Financial Supporters (amounts translated into sterling on date received)

Country	Organisation	
Cumulative amount raised by country appears below country name		
ARMENIA £9,635	Central Bank of the Republic of Armenia	
AUSTRALIA £463,009	Financial Reporting Council and Australian Accounting Standards Board on behalf of Australian stakeholders	
Less than £25,000	Reserve Bank of Australia	
BULGARIA £5,814	Bulgarian National Bank	
CANADA £452,946		
Less than £25,000	Office of the Superintendent of Financial Institutions Canada	Bank of Canada
£100,000 +	Canadian Institute of Chartered Accountants	
CHINA £750,105	Through system created by the Ministry of Finance	
Less than £25,000	Air China Limited	China Shipping Development Co Ltd
	Aluminium Corporation of China Limited	China Telecom Corporation Limited
	Anhui Conch Cement Company Limited	China Unicom Corporation Limited
	Bank of China Limited	China Vanke Co Ltd
	Bank of Communications Co Ltd	Donfeng Motor Corporation
	Beijing Capital Co Ltd	Guangzhou R&F Properties Co Limited
	Beijing North Star Company Ltd	Huaneng Power International Inc
	China Construction Bank Limited	Industrial and Commercial Bank of China
	China COSCO Holdings Company Limited	Jingwei Textile Machinery Co Ltd
	China International Marine Containers (Group) Ltd	PICC Property and Casualty Company Limited
	China Life Assurance Company Limited	Ping An Insurance (Group) Company of China, Ltd
	China Merchants Bank Co. Limited	Tsingtao Brewery Co Ltd
	China Mobile Limited	Yanzhou Coal Mining Company Ltd
	China National Offshore Oil Corporation	ZTE Corporation
	China Shipping Container Lines Co Ltd	
£25,000 +	China Development Bank	PetroChina Company Limited
	China Petroleum & Chemical Corporation	
£50,000 +	China Ministry of Finance	

Country	Organisation	
CYPRUS £4,761	Central Bank of Cyprus	
EU INSTITUTION £34,202	European Central Bank	
FRANCE £888,099	French Ministry of Finance	
GERMANY £1,234,975	Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V. the German standard-setting organisation	
Less than £25,000	Aareal Bank AG	HeidelbergCement AG
	AIG International Real Estate	Heidelberger Druckmaschinen AG
	Aixtron AG	Hornbach Holding AG
	Alstria Office	HSBC Trinkaus & Burkhardt
	Altana AG	HSB Nordbank AG
	Amadeus Fire AG	Hypo Real Estate Holding AG
	Arcandor AG (ehem KarstadtQuelle)	Infineon Technologies AG
	Axel Springer AG	Landesbank Baden-Württemberg
	Balda AG	Landesbank Hessen-Thüringen
	Bauer AG	Lanxess AG
	Bilfinger Berger AG	Lloyd Fonds AG
	Celesio AG	MTU Aero Engines Holding AG
	Continental AG	MVV Energie AG
	CropEnergies AG	Nemetschek AG
	D.Logistics AG	Nordex AG
	DAB Bank AG	Pfleiderer
	DekaBank	Pongs&Zahn AG
	Demag Cranes	Praktiker Bau- und Heimwerkermärkte
	Deutsche Beteiligungs AG	Progress-Werk Oberkirch AG
	Dürr AG	Qiagen GmbH
	Epcos AG	QSC AG
	Epigenomics AG	Sal. Oppenheim
	Fielmann AG	Salzgitter AG
	Fraport AG	SGL Carbon AG
	Fuchs Petrolub AG	Südzucker AG
	Gagfah	TA Triumph-Adler AG
	GEA Group AG	TAKKT AG
	Generali Deutschland Holding AG (vormals AMB)	TUI AG
	Grammer AG	Wacker Chemie AG
	Hannover Rück	WireCard AG
£25,000 +	Adidas AG	Beiersdorf AG
	Allianz SE	BMW AG
	BASF SE	Commerzbank AG
	Bayer AG	Daimler AG

Country	Organisation		
GERMANY continued £25,000 +	Deutsche Bank AG	Linde AG	
	Deutsche Börse AG	MAN AG	
	Deutsche Lufthansa AG	Merck KGaA	
	Deutsche Post AG	METRO AG	
	Deutsche Postbank AG	Münchener Rück	
	Deutsche Telekom AG	Robert Bosch GmbH	
	E.ON AG	RWE AG	
	Fresenius SE	SAP AG	
	Henkel KGaA	Siemens AG	
	K+S AG	ThyssenKrupp AG	
	KfW Bankengruppe	Volkswagen AG	
GREECE £15,169	Bank of Greece		
HONG KONG £132,124			
Less than £25,000	Hong Kong Monetary Authority		
£25,000 +	Hong Kong Securities and Futures Commission		
£50,000 +	Hong Kong Exchanges & Clearing Ltd.		
INDIA £247,020	Contributions made through Stock Exchanges		
£100,000 +	National Stock Exchange of India Limited	Bombay Stock Exchange Limited	
INTERNATIONAL £68,404	Bank for International Settlements		
IRELAND £6,729	Central Bank & Financial Services Authority of Ireland		
ITALY £683,683	Organismo Italiano de Contabilita		
JAPAN £1,736,875	Private company support through Council for Better Corporate Citizenship		
	Less than £25,000	Air Water Inc.	Daiichi Sankyo Co., Ltd.
		All Nippon Airways Co., Ltd.	Daiwa House Industry Co., Ltd.
		Asahi Breweries, Ltd.	Dentsu Inc.
		Asahi Glass Co., Ltd.	DIC Corporation
		Asahi Kasei Corporation	Familymart Co., Ltd.
		Astellas Pharma Inc.	Fanuc Ltd
		Benesse Corporation	Fuji Electric Holdings Co., Ltd.
		Bridgestone Corporation	Fuji Film Corporation
		Canon Electronics Inc.	Fuji Television Network, Incorporated.
		Canon Finetech Inc.	Fujikura Ltd.
		Canon Inc.	Fujitsu Limited
		Cedyna Financial Corporation	Hamamatsu Photonics K.K.
		Central Japan Railway Company	Hanwa Co.,Ltd.
		Chugai Pharmaceutical Co., Ltd.	Hirose Electric Co., Ltd.

Country	Organisation	
JAPAN continued Less than £25,000	Hitachi Cable, Ltd.	KYB Corporation
	Hitachi Capital Corp.	Kyocera Corporation
	Hitachi Chemical Co., Ltd.	Lion Corporation
	Hitachi High-Technologies Corporation	Maeda Corporation
	Hitachi Kokusai Electric Inc.	Marubeni Corporation
	Hitachi Metals, Ltd.	Mazda Motor Corporation
	Hitachi Software Engineering Co., Ltd.	Mediceo Paltac Holdings Co., Ltd.
	Hitachi Transport System, Ltd.	Meiji Seika Kaisha, Ltd.
	Honda Motor Co., Ltd.	Meitec Corporation
	Idemitsu Kosan Co., Ltd.	Mitsubishi Chemical Corporation
		Mitsubishi Corporation
	IHI Corporation	Mitsubishi Electric Corporation
	Investment Trusts Association, Japan	Mitsubishi Heavy Industries, Ltd.
	Isuzu Motors Limited	Mitsui & Co., Ltd.
	ITOCHU Corporation	Mitsui Chemicals, Inc.
	ITOCHU Enex Co., Ltd.	Mitsui Fudosan Co., Ltd.
	ITOCHU Techno-Solutions Corporation	Mitsui Sugar Co., Ltd.
	Ito-Yokado Co., Ltd.	Mori Building Co., Ltd.
	J. Front Retailing Co., Ltd.	Morinaga & Co., Ltd.
	Japan Airlines Corporation	Nagase & Co., Ltd.
	Japan Radio Co., Ltd.	Nankai Electric Railway Co., Ltd.
	Japan Securities Investment Advisers Association	NEC Corporation
	Japan Tobacco Inc.	NGK Insulators, Ltd.
	Japan Steel Works, Ltd.	Nichirei Corporation
	JGC Corporation	Nippo Corporation
	JS Group Corporation	Nippon Flour Mills Co., Ltd.
	Kadokawa Group Holdings, Inc.	Nippon Kayaku Co., Ltd.
Kajima Corporation	Nippon Mining Holdings, Inc.	
Kaneka Corporation	Nippon Oil Corporation	
Kao Corporation	Nippon Paint Co., Ltd.	
Kawasaki Kisen Kaisha, Ltd.	Nippon Paper Group, Inc.	
KDDI Corporation	Nippon Shokubai Co., Ltd.	
Kikkoman Corporation	Nippon Steel Corporation	
Kintetsu Corporation	Nippon Telegraph and Telephone Corporation	
Kissei Pharmaceutical Co., Ltd.	Nisshin Oillio Group, Ltd.	
Komatsu Ltd.	Nisshin Seifun Group Inc.	
Konami Corporation	Nisshinbo Holdings Inc.	
Kowa Company, Ltd.		



Country	Organisation	
JAPAN continued Less than £25,000	Nittetsu Mining Co., Ltd.	Sumitomo Chemical Co., Ltd.
	Nitto Denko Corporation	Sumitomo Corporation
	Nomura Research Institute, Ltd.	Sumitomo Electric Industries, Ltd.
	NSK Ltd.	Sumitomo Forestry Co., Ltd.
	Obayashi Corporation	Taisei Corporation
	Panasonic Corporation	Taisho Pharmaceutical Co., Ltd.
	Pioneer Corporation	Taiyo Nippon Sanso Corporation
	Renesas Technology Corp.	Takeda Pharmaceutical Company, Limited.
	Rengo Co., Ltd.	TDK Corporation
	Ricoh Company, Ltd.	Teijin Limited
	Rinnai Corporation	Terumo Corporation
	Sanki Engineering Co., Ltd.	Toda Corporation
	Sanyo Chemical Industries, Ltd.	Tokai Carbon Co., Ltd.
	Sanyo Shokai Ltd.	Tokai Rubber Industries, Ltd.
	Secom Co., Ltd.	Tokuyama Corporation
	Security Analysts Association of Japan	Tokyo Broadcasting System Holdings, Inc.
	Seiko Epson Corporation	Tokyo Electric Power Co., Inc.
	Seiko Holdings Corporation	Toppan Printing Co., Ltd.
	Sekisui House, Ltd.	Toray Industries, Inc.
	SG Holdings Co., Ltd.	Toshiba Corporation
	Sharp Corporation	Toyo Ink Mfg. Co., Ltd.
	Shimizu Corporation	Toyota Motor Corporation
	Shinmaywa Industries, Ltd.	TV Tokyo Corporation
	Shiseido Company, Limited.	UBE Industries, Ltd.
Showa Denko K.K.	Ushio Inc.	
Showa Shell Sekiyu K.K.	Yamaha Motor Co., Ltd.	
Sony Corporation	Yokogawa Electric Corporation	
Sumisho Computer Systems Corporation		
£25,000 +	Bank of Japan	Grant Thornton Taiyo ASG
	BDO Sanyu & Co.	Kyoto Audit Corporation
£50,000 +	Deloitte Touche Tohmatsu LLC	KPMG AZSA & Co.
	Ernst & Young ShinNihon LLC	Life Insurance Association of Japan
	General Insurance Association of Japan	PricewaterhouseCoopers Aarata
	Japan Securities Dealers Association	Tokyo Stock Exchange Group, Inc.
	Japanese Bankers Association	Trust Companies Association of Japan
	Japanese Institute of Certified Public Accountants	

Country	Organisation	
KAZAKHSTAN £6,029	National Bank of Kazakhstan	
REPUBLIC OF KOREA £182,028	Contributions organised through Korean Accounting Standards Board	
Less than £25,000	Deloitte Anjin	Samjong Accounting Corp.
	Ernst & Young Han Young	Samsung C&T Corporation
	Financial Supervisory Service	Samsung Fire & Marine Insurance Co.
	GS Caltex	Samsung Securities
	Hyundai Motor Company	Shinhan Financial Group
	Industrial Bank of Korea	SK Telecom Co. Ltd
	Korea Electric Power	S-Oil Corporation
	Kookmin Bank	STX Corporation
	KT Corporation	STX Engine
	KT&G	STX Enpaco
	LG Display Co., Ltd.	STX Offshore and Shipbuilding
	LG Electronics	STX Pan Ocean
	POSCO	Tong Yang Securities Inc.
	Samil PricewaterhouseCoopers	Woori Financial Group
£25,000 +	Samsung Electronics	
LUXEMBOURG £44,655	Bourse de Luxembourg	
MALAYSIA £6,029	Bank Negara Malaysia	
NETHERLANDS £354,506		
Less than £25,000	De Nederlandsche Bank	
£100,000 +	Ministry of Finance (national contribution)	
NEW ZEALAND £87,690	Accounting Standards Review Board on behalf of New Zealand stakeholders	
NORWAY £45,000	Norsk RegnskapsStiftelse	
PORTUGAL £17,659	Banco de Portugal	
RUSSIA £18,203	Central Bank of Russia	
SAUDI ARABIA £6,994	Saudi Arabian Monetary Agency	
SINGAPORE £10,509	Monetary Authority of Singapore	
SLOVAKIA £6,994	National Bank of Slovakia	
SPAIN £440,373		
Less than £25,000	Banco de Espana	
£100,000 +	Bolsas y Mercados Españoles	

Country	Organisation	
SWITZERLAND		
£169,435		
Less than £25,000	Swiss National Bank	
£50,000 +	Swiss Bankers Association	SwissHoldings
UGANDA		
£7,064		
UNITED KINGDOM		
£800,000		
UNITED STATES		
£1,846,698		
Less than £25,000	DuPont	State Street Corporation
	General Motors	United Technologies
	Merck & Co Inc	Washington Post
£25,000 +	Board of Governors of the US Federal Reserve System	McGraw-Hill Companies (Standard & Poor's)
	Coca-Cola Company (The)	PepsiCo
	ConocoPhillips	Procter & Gamble
£50,000 +	Capital Group Companies	Microsoft Corp
	CFA Institute	Moody's
	Cisco Systems	Oracle
	General Electric Company	TIAA-CREF
	IBM	Verizon Communications
£100,000 +	Bank of America	J P Morgan Chase
	Citigroup	Morgan Stanley
	ExxonMobil	Pfizer Inc
	Goldman Sachs Group Inc	

International Accounting Firms		
£5,690,127		
£50,000 +	Mazars (US\$100,000)	
£100,000 +	BDO (Brussels Worldwide Services bvba (US\$150,000))	Grant Thornton (US\$150,000)
(US\$2 million each)	Deloitte & Touche	KPMG
	Ernst & Young	PricewaterhouseCoopers

Trustees	
£110,000	3 Trustees waived their fees, which have been accounted as contributions

Expected financing for 2010

Country/type of contributor	Organised by	Arrangements	Anticipated amount in local currency*	Anticipated sterling amount at 31 December 2009 exchange rate
EUROPE				
Germany	German Accounting Standards Committee	Broad-based funding scheme based on contributions received from private organisations	€1,320,000	1,173,229
United Kingdom	Financial Reporting Council	Levy on UK listed companies	£850,000	850,000
France	Ministry of Finance	Broad-based funding scheme based on contributions received from private organisations	€1,000,000	888,099
Italy	Organismo Italiano di Contabilità (Italian standard-setter)	Levy on registered companies	€750,000	666,607
Spain	Bolsa de Madrid (stock exchange)	Direct contribution on behalf of Spain	€500,000	444,404
The Netherlands	Ministry of Finance	Direct contribution on behalf of the Netherlands	€380,000	337,747
Switzerland	Swiss Business Associations	Contributions collected by Swiss business associations	US\$319,000	193,732
Norway	Funding through Norsk Regnskapsstiftelse (Norwegian standard-setter)	Direct contribution on behalf of Norway	£45,000	45,000

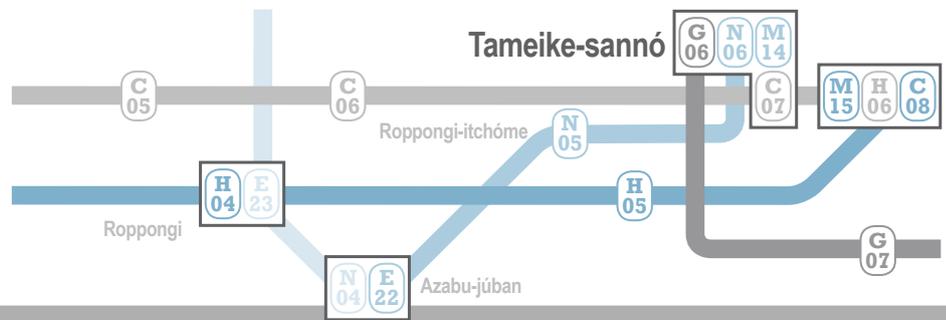
The European Commission has proposed a €4 million per year contribution for 2011 – 2013. Funding efforts are proceeding in EU Member States and other European countries.

Sweden (€200,000) and Luxembourg (€50,000) are on hold for 2010.

* Subject to change due to ongoing efforts and based upon best estimates.

Country/type of contributor	Organised by	Arrangements	Anticipated amount in local currency*	Anticipated sterling amount at 31 December 2009 exchange rate
AMERICAS				
United States	Individual companies and organisations	Voluntary system	US\$2,984,000	1,812,219
Canada	Canadian Institute of Chartered Accountants, the body that houses the Canadian standard-setter	Direct contributions on behalf of Canada	CAN\$800,000	447,102
ASIA-OCEANIA				
Japan	Financial Accounting Standards Foundation (the body that houses the Japanese standard-setter)	Levy-like system being established for Japanese companies	US\$2,800,000	1,700,473
China, excluding Hong Kong SAR	China Accounting Standards Committee, Ministry of Finance	Contributions arranged by the Ministry of Finance	US\$1,095,000	665,006
Australia	Financial Reporting Council (Australian financial reporting regulatory body)	Annual payment on behalf of private and public stakeholders in the Australian accounting standard-setting process	AUS\$1,000,000	521,267
Republic of Korea	Korea Accounting Standards Board	Contributions arranged by the Korea Accounting Standards Board	US\$300,000	182,193
India	Major stock exchanges	Direct contributions on behalf of India	US\$400,000	242,924

* Subject to change due to ongoing efforts and based upon best estimates.



Country/type of contributor	Organised by	Arrangements	Anticipated amount in local currency*	Anticipated sterling amount at 31 December 2009 exchange rate
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ASIA-OCEANIA continued

Hong Kong SAR, China	Hong Kong securities regulator and monetary authority and stock exchange	Direct contributions on behalf of Hong Kong	US\$195,000	118,425
New Zealand	Accounting Standards Review Board	Direct contribution on behalf of New Zealand	NZ\$200,000	84,940
Singapore	Ministry of Finance	Direct contribution on behalf of Singapore	£50,000	50,000

Funding efforts are proceeding in other countries in the Asia-Oceania region.

CENTRAL BANKS AND INTERNATIONAL ORGANISATIONS

Central banks and international organisations	Various bodies	Voluntary contributions	US\$360,000	218,632
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INTERNATIONAL ACCOUNTING FIRMS

Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers	Direct payments	Voluntary contributions	US\$2,000,000 each	1,214,624
BDO and Grant Thornton	Direct payments	Voluntary contributions	US\$150,000 each	91,096
Mazars	Direct payments	Voluntary contributions	US\$100,000	60,731

OTHER SOURCES OF INCOME

The IASC Foundation also receives additional funding to finance its standard-setting and XBRL activities through its content-related, educational and related activities.

* Subject to change due to ongoing efforts and based upon best estimates.

Report of the independent auditors

We have audited the financial statements of the International Accounting Standards Committee Foundation (IASC Foundation) for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Trustees and auditors

The Trustees are responsible for the preparation of the financial statements in accordance with applicable law, the IASC Foundation's Constitution and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with the IASC Foundation's Constitution and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with International Financial Reporting Standards.

Our report has been prepared pursuant to the requirements of our engagement letter to you dated 12 January 2010 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our engagement letter to you

dated 12 January 2010 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the IASC Foundation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable

assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the IASC Foundation's affairs as at 31 December 2009 and of its comprehensive income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.



BDO LLP
Chartered Accountants, London
31 March 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Statement of comprehensive income

YEAR ENDED 31 DECEMBER	Notes	2009 £'000	2008 £'000
INCOME			
Standard-setting and related activities			
Contributions	3	16,584	12,747
Interest income		377	553
Other income		34	41
		16,995	13,341
Publications and related activities			
Revenue	4(a)	5,654	6,481
		22,649	19,822
EXPENSES			
Standard-setting and related activities			
Salaries, wages and benefits	5	(13,609)	(10,862)
Trustees' fees	6	(506)	(464)
Cost of meetings, associated travel and accommodation	7	(2,832)	(2,424)
Accommodation	8(a)	(1,285)	(1,302)
Other costs	9	(1,464)	(1,106)
		(19,696)	(16,158)
Publications and related activities			
Direct cost of publications and related activities	4(b)	(3,260)	(3,136)
		(22,956)	(19,294)
PROFIT (LOSS) BEFORE FAIR VALUE CHANGES AND EXCHANGE GAINS		(307)	528
Changes in fair value of financial instruments		2,966	(2,977)
Exchange gains (losses)		(2,072)	762
PROFIT (LOSS) BEFORE TAX		587	(1,687)
Income tax credit (expense)		60	(60)
COMPREHENSIVE INCOME FOR THE YEAR		647	(1,747)

The notes on pages 58 to 68 form part of these financial statements.

Statement of financial position

AS AT 31 DECEMBER	Notes	2009 £'000	2008 £'000
ASSETS			
Current assets			
Cash and cash equivalents	10(a)	3,123	6,647
Accrued interest receivable on bonds		168	139
Contributions receivable	3	1,068	334
Trade and other receivables	10(c)	910	640
Prepaid expenses		567	459
Inventories	13	138	77
Bonds	10(b)	1,528	1,375
		7,502	9,671
Non-current assets			
Bonds	10(b)	6,055	6,279
Leasehold improvements, furniture and equipment	8(b)	593	484
		6,648	6,763
TOTAL ASSETS		14,150	16,434
LIABILITIES			
Current liabilities			
Trade and other payables		665	659
Accrued expenses		1,320	1,259
Contributions received in advance	3	49	176
Rent incentive		82	43
Publications revenue received in advance		809	876
Forward currency contracts at fair value	10(d)	355	2,287
		3,280	5,300
Non-current liabilities			
Contributions received in advance	3	-	49
Forward currency contracts at fair value	10(d)	93	1,208
Reinstatement provision	8(c)	413	413
Rent incentive		633	380
		1,139	2,050
TOTAL LIABILITIES		4,419	7,350
NET ASSETS	12	9,731	9,084

The notes on pages 58 to 68 form part of these financial statements.

The financial statements on pages 55 to 68 were approved by the Trustees of the IASC Foundation on 31 March 2010 and authorised for issue on 31 March 2010.

Gerrit Zalm, Chairman of the Trustees

Statement of cash flows

YEAR ENDED 31 DECEMBER	Notes	2009		2008	
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Cash received					
Contributions		15,673		13,305	
Interest		384		527	
Foreign exchange settlements		(2,075)		(375)	
Publications and related activities		5,293		6,339	
Other receipts		36		72	
Cash paid					
Salaries, wages and benefits		(13,627)		(10,832)	
Publications direct costs		(3,239)		(3,091)	
Trustees' fees		(519)		(476)	
Income taxes paid		(45)		(14)	
Other expense		(5,176)		(4,454)	
NET CASH FROM OPERATING ACTIVITIES			(3,295)		1,001
INVESTING ACTIVITIES					
Purchase of bonds		(1,380)		(3,321)	
Matured bonds receipts		1,335		3,148	
Purchase of leasehold improvements, furniture and equipment		(188)		(70)	
NET CASH DECREASES FROM INVESTING ACTIVITIES			(233)		(243)
Effects of exchange rate changes on cash and cash equivalents			4		1,137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			(3,524)		1,895
Cash and cash equivalents at beginning of period			6,647		4,752
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10(a)		3,123		6,647

The notes on pages 58 to 68 form part of these financial statements.

Notes to the financial statements

1. Legal form, objectives and restructuring

Incorporated in the State of Delaware, USA, on 6 February 2001, the International Accounting Standards Committee Foundation (IASC Foundation) is a not-for-profit charitable organisation with its primary operations based in London.

The objectives of the IASC Foundation are:

- (a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial statements to make economic decisions;
- (b) to promote the use and rigorous application of those standards;
- (c) in fulfilling the objectives associated with (a) and (b) to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings; and
- (d) to promote and facilitate adoption of International Financial Reporting Standards (IFRSs), being the standards and interpretations issued by the International Accounting Standards Board (IASB), through the convergence of national accounting standards and IFRSs.

The governance of the IASC Foundation rests primarily with its Trustees, who provide oversight of the IASB and its related bodies, the IFRS Interpretations Committee and the IFRS Advisory Council.

As a result of a constitutional change agreed in January 2009, a Monitoring Board comprised of public capital market authorities provides a formal link between the Trustees and public authorities.

In addition to their general oversight functions, the Trustees appoint the members of the IASB and related bodies, and are responsible for the financial and legal arrangements of the organisation. The IASB has the responsibility for setting accounting standards in accordance with its mandate and the due process set out in the IASC Foundation's *Constitution* and the IASB's *Due Process Handbook*.

2. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, on the historical cost basis, as modified by the revaluation of financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss. The policies have been consistently applied to all years presented, unless otherwise stated.

For the purposes of organising the financial information the IASC Foundation has categorised income

and expenses into two categories. Standard-setting and related activities includes all activities associated with standard-setting and support functions required to achieve the organisation's objectives. Publications and related activities include information related to the sales of print and electronic IFRS materials, educational activities, and Extensible Business Reporting Language (XBRL).

(b) Contributions

Contributions are recognised as revenue in the year designated by the contributor.

(c) Publications and related revenue

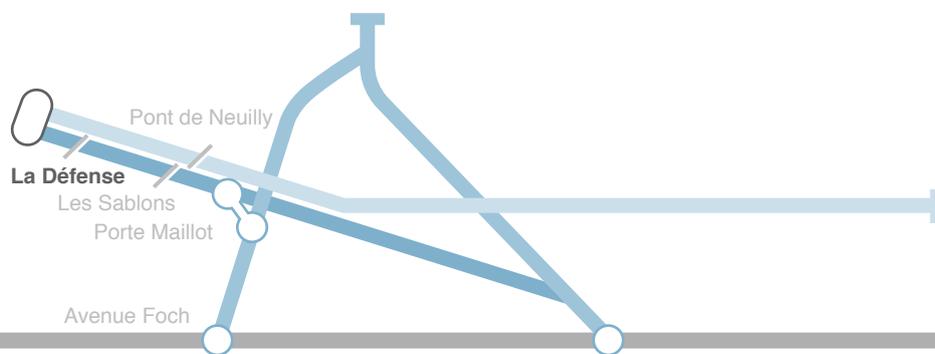
Subscriptions to the IASC Foundation's comprehensive package and eIFRS products are recognised as revenue on a time-apportioned basis over the period covered by the subscriptions. Royalties are recognised as revenue on an accrual basis. Publications' direct cost of sales comprises printing, salaries, promotion, computer and various related overhead costs.

(d) Inventories

Inventories of current publications are valued at the lower of net realisable value and the cost of printing the publications, on a first-in-first-out basis. Inventories that have been superseded by new editions are written off.

(e) Depreciation

Leasehold improvements and furniture and equipment are initially measured at cost, and depreciated on a straight-line basis (in the case of leasehold improvements over the period of the lease). All other assets are depreciated over 5 years, except computer equipment, which is depreciated over 3 years.



(f) Foreign currency transactions

The IASC Foundation’s presentational and functional currency is sterling. Transactions denominated in currencies other than sterling are recorded at the exchange rate at the date of the transaction. Differences in exchange rates are recognised in the Statement of Comprehensive Income. Monetary assets and liabilities are translated into sterling at the exchange rate at the end of the reporting period.

(g) Operating leases – office accommodation

Lease payments for office accommodation are recognised as an expense on a straight-line basis over the non-cancellable term of the lease. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

(h) Financial assets

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the IASC Foundation is committed to purchase or sell the asset. Investments are recognised initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the IASC Foundation has transferred substantially all risks and rewards of ownership.

The IASC Foundation classifies financial assets as subsequently measured at either amortised cost or fair value based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. All financial assets, except for bonds and derivatives, are carried at amortised cost as the objective is to hold these assets in order to collect contractual cash flows and those cash flows are solely principal and interest. Investments in bonds are classified as subsequently measured at fair value through profit or loss, and the corresponding gains or losses are included within profit (loss) before tax. Bond holdings are discussed more fully in note 10.

(i) Derivative financial assets and liabilities

The IASC Foundation uses contributions, primarily in US dollars and euro, to fund a portion of sterling obligations arising from its activities. In accordance with its financial risk management policy, the IASC Foundation does not hold or issue derivative financial instruments for trading purposes; the forward foreign currency hedges are entered into to provide certainty regarding funding to protect against currency fluctuation on future cash flows that are designated in US dollars and euro. Derivative financial instruments are recognised and subsequently measured at fair value. The corresponding gains or losses are included within profit (loss) before tax.

(j) Provisions and contingencies

Provisions are recognised when the following three conditions are met – the IASC Foundation has a present

obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of the provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

(k) Critical accounting estimates and judgements

The IASC Foundation makes estimates and assumptions regarding the future. In the future, actual experience may differ from those estimates and assumptions. The Trustees consider there are none that are material to the preparation of the financial statements.

(l) New standards and interpretations issued

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 January 2009, except for that explained below. The IASC Foundation has concluded that there are no other relevant standards or interpretations in issue not yet adopted.

- *Standard adopted early*

IFRS 9 *Financial Instruments* was issued in November 2009 and is required to be applied from 1 January 2013. The presentation of the IASC Foundation's financial statements has not significantly changed as a result of the early adoption of the new standard as it did not change the measurement of any assets.

(m) Reclassification of items in the financial statements

In order to conform to the current year's presentation in the financial statements, the following comparative amounts were reclassified. The changes in presentation are to improve the information provided.

- Recruitment expenses are included in Other Costs and listed in note 9. The prior year amount of £126,000 was presented as follows: £121,000 was included in Salaries, wages and benefits; £5,000 was included in Trustees' fees. A corresponding change has been made to the statement of cash flows and the details of salaries, wages and benefits as disclosed in note 5.
- Fundraising expenses are included in Other Costs and listed in note 9. In the prior year, £36,000 was listed separately in the statement of comprehensive income.
- The details of accommodation expenses presented in note 8(a) has been expanded to disclose the amount included in publication costs.
- The details of cash holdings presented in note 10(a) has been clarified by listing currencies irrespective of their country location.

3. Contributions

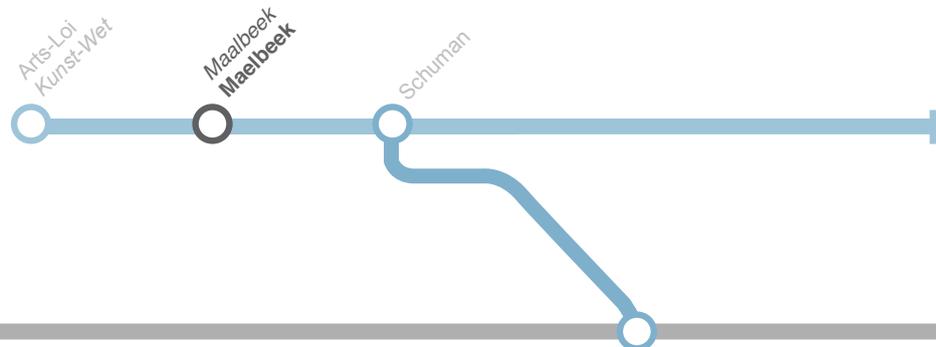
The Trustees arrange the majority of the organisation's operations to be funded through a number of national financing regimes. These funding efforts are guided by four principles:

- **Broad-based:** A sustainable long-term financing system must expand the base of support to include major participants in the world's capital markets, including official institutions, in order to ensure diversity of sources.
- **Compelling:** A system must carry with it enough pressure to make free riding very difficult. This may be accomplished through various means, including official support from the relevant regulatory authorities and formal approval by the collecting organisations.
- **Open-ended:** The financial commitments should be open-ended and not contingent on any particular action that would infringe on the independence of the IASC Foundation and the IASB. This should include sustained support from official international organisations, central banks and the major accounting firms.
- **Country-specific:** The funding burden should be shared by the major economies of the world on a proportionate basis, using GDP as the determining measure. Each country or jurisdiction should meet its designated target in a manner consistent with the principles above. Trustees should be assigned to specific countries to assist in the development of the funding scheme.

Because of the success of the Trustee funding initiative, a growing number of national levies, payments and broad-based regimes are now in place. The overall increase in contributions is due both in part to the establishment of those régimes and the increase during the year of the strengthening US dollar exchange rate relative to sterling. In 2009 the IASC Foundation received funds of £16,584,000 in contributions (2008: £12,747,000).

Contributions received before 31 December 2009, amounting to £49,000 (2008: £225,000), which were specifically designated by the contributors for use by the IASC Foundation in subsequent years, were recognised as current and non-current liabilities, depending upon the designation by the contributor. Contributions received or confirmed after 31 December 2009, amounting to a total of £1,068,000 (2008: £334,000) specifically designated by the contributors for use by the IASC Foundation in 2009 were recognised as revenues at the end of 2009 and included as contributions receivable.

A number of countries have recently implemented or will be introducing funding régimes in 2010. Using the IASC Foundation's website, the Trustees are informing interested parties of their progress on establishing broad-based funding régimes throughout the world.



4. Publications and related activities

(a) Publications and related revenue

	2009 £'000	2008 £'000
Sales of subscriptions and publications	3,751	4,411
Royalties and permission fees	1,640	1,120
Other related activities	263	950
TOTAL	5,654	6,481

(b) Publications and related costs

	2009 £'000	2008 £'000
Staff/employee related costs	1,527	1,486
Costs of goods sold	475	433
Depreciation	26	37
Other costs	1,232	1,180
TOTAL	3,260	3,136

5. Salaries, wages and benefits

The IASC Foundation had an average of 114 employees (including IASB members and interns) during 2009 (2008: 101).

	2009		2008	
	£'000	£'000	£'000	£'000
Staff costs, including IASB members' salaries and other costs	12,854		10,252	
Contributions to defined contribution pension plans	652		533	
Other costs	103		77	
		13,609		10,862
Staff costs included in publications direct expenses (see note 4)				
Salaries and other costs	1,437		1,366	
Contributions to defined contribution pension plans	84		92	
Other costs	6		28	
		1,527		1,486
TOTAL		15,136		12,348

The Trustee Remuneration Committee is responsible for reviewing, bench-marking and making recommendations on salary and benefit levels. These recommendations are reviewed and approved annually by the Trustees. As a number of the IASB members work outside the United Kingdom and therefore carry different employment tax burdens, the Trustees agree upon an annual remuneration budget for each of the IASB members inclusive of all employer contributions for tax and benefits.

In 2009, the total cost for the 15 (2008: 13) IASB members' salaries, including all applicable employment taxes and benefits, and relocation costs of new IASB members, amounted to £5,878,000 (2008: £4,728,000). In March 2009, effective for April 2009, the Trustees approved the following remuneration budgets, including all applicable employment taxes and benefits: £493,990 per year for the IASB Chair (2008: £476,900), £401,370 per year for full-time members (2008: £389,680) and £200,310 per year for part-time members (2008: £194,840).

6. Trustees' fees

The Trustees are remunerated by annual and meeting fees and are reimbursed for the expenses of their travel on IASC Foundation business. In 2009 the annual fee for the Chair of the Trustees was £75,000 (2008: £75,000). In 2009, the Chair waived his fee and it was counted as a contribution. The annual fee for the other Trustees was £12,500 (2008: £12,500). Trustees received an attendance fee of £1,000 (2008: £1,000) for each formal meeting.

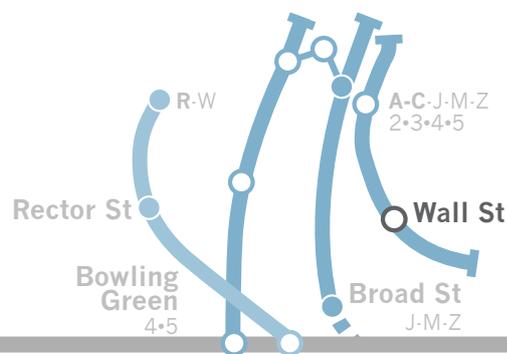
7. Cost of meetings, associated travel and accommodation

MEETING TYPE	2009 £'000	2008 £'000
IASB	935	828
Trustees	359	294
IFRS Interpretations Committee and IFRS Advisory Council	314	351
Financial Crisis Advisory Group	218	-
Other advisory meetings	446	445
Travel for other consultation and liaison	560	506
TOTAL	2,832	2,424

8. Accommodation and other assets

(a) Accommodation expenses

	2009 £'000	2008 £'000
Rent	700	730
Service charges	205	192
Rates, insurance and energy	438	373
Depreciation	150	202
Other	29	23
	1,522	1,520
Less amounts included in publications costs	(237)	(218)
TOTAL	1,285	1,302



(b) Leasehold improvements, furniture and equipment

2009	Leasehold improvements £'000	Furniture, equipment £'000	2009 TOTAL £'000
COST			
At 1 January 2009	1,028	815	1,843
Additions	-	258	258
Disposals/retirements	-	-	-
At 31 December 2009	1,028	1,073	2,101
DEPRECIATION			
At 1 January 2009	708	651	1,359
Charge for the year	34	115	149
Disposals/retirements	-	-	-
At 31 December 2009	742	766	1,508
NET CARRYING AMOUNT AT 31 DECEMBER 2009	286	307	593
2008			
	Leasehold improvements £'000	Furniture, equipment £'000	2008 TOTAL £'000
COST			
At 1 January 2008	838	771	1,609
Additions	190	67	257
Disposals/retirements	-	(23)	(23)
At 31 December 2008	1,028	815	1,843
DEPRECIATION			
At 1 January 2008	598	583	1,181
Charge for the year	110	91	201
Disposals/retirements	-	(23)	(23)
At 31 December 2008	708	651	1,359
NET CARRYING AMOUNT AT 31 DECEMBER 2008	320	164	484

At the reporting date the IASC Foundation had no capital commitments (2008: £nil).

(c) Reinstatement provision

The IASC Foundation has made a provision for reinstatement which covers the cost of reinstating the building when the lease expires in September 2018. The estimated amount and timing of any outflow are subject to options to extend the lease.

The corresponding property asset is amortised over the period of the lease.

	2009 £'000	2008 £'000
Balance at 1 January	413	202
Provision made in year	-	211
Balance at 31 December	413	413

(d) Lease commitments

Lease commitments relate to operating leases for office space with lease terms expiring in September 2018, and with options to extend for a further 10 years. All operating lease contracts contain market review clauses. Payments on the leases, excluding service charges and property rates, are as follows:

PAYMENTS	2009 £'000	2008 £'000
Within one year	778	400
In two to five years	3,113	3,113
More than five years	2,916	3,694
TOTAL	6,807	7,207

Since 2001 the IASC Foundation has rented office space at 610 Fifth Avenue, New York, NY, USA. The only obligation incurred in this regard relates to payment of ongoing rent and a provision of 90 days' notice of termination.

9. Other costs

	2009 £'000	2008 £'000
Communication	499	376
Audit, legal and taxation fees	138	118
External relations	252	229
Recruitment	346	126
Fundraising	-	36
Others	229	221
TOTAL	1,464	1,106

10. Financial instruments

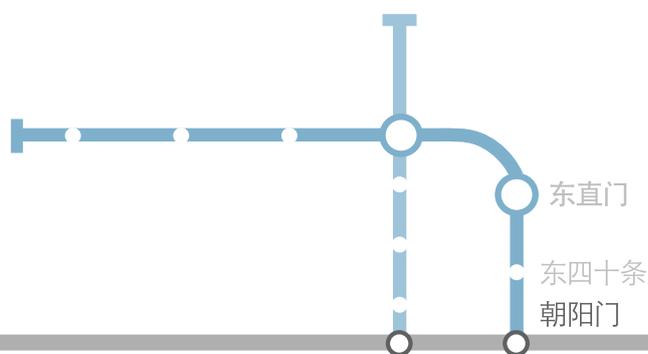
The IASC Foundation receives contributions in a number of currencies but its expenditures are largely sterling based. This exposes the organisation to financial risks. The IASC Foundation also faces risks associated with its use of financial instruments. This note describes the organisation's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the organisation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

Principal financial instruments

The principal financial instruments used by the IASC Foundation, from which financial instrument risk arises, are as follows:

- Bonds
- Derivative instruments – forward currency contracts
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables.



(a) Cash and cash equivalents

Liquidity risk associated with cash and bond holdings

The IASC Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. The IASC Foundation has no bank borrowings.

Cash holdings: Management seeks to keep an amount in cash equal to or exceeding the upcoming quarter's expenditure. Cash is held either on current or on short-term deposits at floating rates of interest determined by the relevant bank's prevailing base rate. Part of the cash at bank is held in euro and US dollar accounts. Cash at bank to pay for general operations

in London is held by Barclays Bank PLC, London. A US dollar account, used to pay most US dollar expenses, is held by Barclays Bank PLC in New York. Other deposits and balances required from time to time to cover hedging obligations and for investment purposes are held in accounts with Barclays Bank (Suisse) S.A in Geneva. All decisions regarding the Geneva accounts are managed by the Trustees of the IASC Foundation.

Interest income on cash deposits amounted to £56,000 (2008: £218,000). Because of the relatively short durations and levels of cash deposits and returns, interest rate risk is not considered significant.

	Effective interest rates			
	2009 £'000	2008 £'000	2009 %	2008 %
CASH AND BANK DEPOSITS DUE AFTER 15 DAYS IN GENEVA				
Bank sterling deposits due within 45 days	2,145	2,440	0.45	2.20
Bank dollar deposits due within 90 days	-	2,055	-	0.85
CASH AND BANK DEPOSITS DUE ON DEMAND				
Sterling	358	1,389	0.05	0.45
Euro	28	183	-	-
US dollar	592	580	-	-
TOTAL	3,123	6,647		

(b) Bonds

Bond holdings: The Trustees have invested surplus funds of the IASC Foundation in sterling-denominated, fixed rate notes of the UK government and international organisations with an AAA rating. Funds are divided into relatively equal sums with maturities in each of the next five years.

The IASC Foundation manages and receives information on its investments in bonds on a fair value basis. Information is provided on that basis to the Trustees and key management personnel. Bonds are carried at fair value through profit or loss, based on quoted prices in active markets (described as level 1 by IFRS 7 *Financial Instruments: Disclosures*). The maturity of the bonds is as follows:

	Nominal value	Nominal value	Fair value	Fair value
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
In less than one year	1,504	1,343	1,528	1,375
Total current	1,504	1,343	1,528	1,375
More than one year and less than two years	1,189	1,503	1,237	1,582
More than two years and less than three years	3,286	2,489	3,446	2,624
More than three and less than four years	706	2,011	706	2,073
More than four and less than five years	672	-	666	-
Total non-current	5,853	6,003	6,055	6,279
Total	7,357	7,346	7,583	7,654

Bonds provide a yield in the range of 1.0% to 3.0% per year.

(c) Trade and other receivables

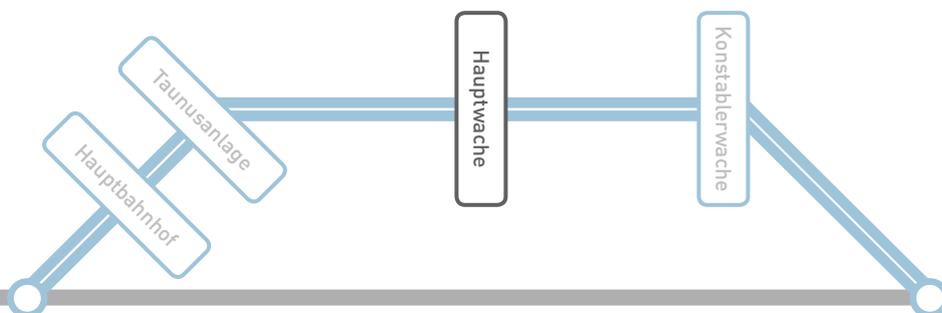
Credit risk

In addition to its financing programme, the IASC Foundation supplements its funding through publications and related activities. For publications and subscriptions sales the IASC Foundation does not offer credit. For licensing and royalty arrangements some credit risk arises. However the organisation works largely with major publishers and accounting bodies, with whom it has long-standing relationships, and therefore the IASC Foundation does not credit check these customers before it enters into business with them.

The IASC Foundation has no significant exposure to large or key customers: its largest customer does not exceed 3 per cent of the IASC Foundation's revenues. The maximum exposure to credit risk is considered to be the trade receivable balance at the year-end; other financial assets in the financial statements, such as contributions receivable, are generally realised in full.

	2009	2008
	£'000	£'000
Not yet due	804	541
Past due but not impaired	106	99
TOTAL	910	640

Where past due accounts are still unpaid six months or more after invoice date and the IASC Foundation considers the amount impaired it provides for the amount as a bad debt provision in the financial statements. At 31 December 2009 the amount provided for was £20,000 (2008: £25,000).



(d) Currency risk

The IASC Foundation's expenses arise largely in sterling, whereas the organisation has received funding and future financing commitments in US dollars and euros. The Trustees have implemented a strategy to mitigate the foreign exchange fluctuations and timing risks connected with the various funding régimes. The IASC Foundation

generally forward sells approximately 90 per cent of its net US dollar contributions and 50 per cent of its net euro contributions to fix a sterling equivalent. Foreign currency is sold forward on a two-year rolling basis.

Details of these forward contracts are set out in the table below.

Future contracts US dollar

	Buy £'000	2009 Sell \$'000	Weighted average rate	Buy £'000	2008 Sell \$'000	Weighted average rate
2009	-	-	-	6,151	11,791	1.917
2010	7,166	11,791	1.645	3,613	6,551	1.813
2011	4,009	6,550	1.634	-	-	-
TOTAL	11,175	18,341	1.641	9,764	18,342	1.878

Future contracts euro

	Buy £'000	2009 Sell €'000	Weighted average rate	Buy £'000	2008 Sell €'000	Weighted average rate
2009	-	-	-	1,792	2,250	1.255
2010	1,800	2,250	1.250	1,800	2,250	1.250
TOTAL	1,800	2,250	1.250	3,592	4,500	1.253

The ranges of rates for the US dollar are 1.4741 – 1.8170 (2008: 1.8060 – 1.9970) and the euro 1.250 (2008: 1.250 – 1.255).

The following changes to fair value are reported in the Statement of Comprehensive Income.

INCOME (CHARGE) IN STATEMENT OF COMPREHENSIVE INCOME	2009 £'000	2008 £'000
Forward foreign exchange contracts	3,047	(3,277)
Bonds	(81)	300
CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS	2,966	(2,977)

Below are the fair values of these contracts, based on quoted prices in active markets (described as level 1 by IFRS 7), as reported in the Statement of Financial Position.

DERIVATIVES	Fair value 2009 £'000	Fair value 2008 £'000
Forward contracts expiring end of each calendar quarter of 2009	-	(2,287)
Forward contracts expiring end of each calendar quarter of 2010	(355)	(1,208)
Forward contracts expiring end of each calendar quarter of 2011	(93)	-
TOTAL	(448)	(3,495)

(e) Foreign currency sensitivity

The following table shows the sensitivity of the reported results to a potential 10 per cent fluctuation in year-end exchange rates.

	Forward Sales £'000	£ Weakens 10% £'000	£ Strengthens 10% £'000
US dollar	18,341		
Profit and loss effect (before tax)		(1,269)	1,038
Euro	2,250		
Profit and loss effect (before tax)		(222)	182
TOTAL		(1,491)	1,220

From time to time the IASC Foundation holds US dollar funds in anticipation of US dollar liabilities. Over the year the US dollar exchange rate reached a high of 1.70 to sterling, whilst the low point was 1.37 to sterling. The following table shows the sensitivity of the reported results to a potential 10 per cent fluctuation in year-end exchange rates.

	Cash holding £'000	£ Weakens 10% £'000	£ Strengthens 10% £'000
US dollar	970		
Profit and loss effect (before tax)		65	(53)
Euro	31		
Profit and loss effect (before tax)		3	(3)
TOTAL		68	(56)

11. Taxation

For US tax purposes, the IASC Foundation is classified as a not-for-profit, tax-exempt organisation.

In 2006 the IASC Foundation reached an agreement with the UK authorities regarding the status of taxation on its publications and related revenues. In 2009 the taxation credit is calculated on this basis, and is estimated to be £60,000 (2008: a charge of £60,000). On the basis of activity for 2009 and from previous years, at the end of 2009 the IASC Foundation is carrying forward a loss for UK tax purposes of £957,000 (2008: £201,000).

Consistent with IAS 12 *Income Taxes*, the IASC Foundation does not recognise this loss as a deferred tax asset, because of the uncertainty of being able to utilise these losses in the future.

12. Movement in net assets

	2009 £'000	2008 £'000
Net assets at the beginning of the reporting period	9,084	10,831
Comprehensive income in the year net of tax	647	(1,747)
NET ASSETS AT THE END OF THE REPORTING PERIOD	9,731	9,084

13. Inventories

Inventory of books amount to £138,000 (2008: £77,000).

14. Approval of financial statements

These financial statements were approved by the Trustees of the IASC Foundation on 31 March 2010 and authorised for issue on 31 March 2010, and at that date there were no significant events after the reporting period.

For further information about the IASC Foundation and the IASB and for copies of International Financial Reporting Standards, International Accounting Standards, exposure drafts and other publications, including details of IASB subscription services, please contact our Publications Department on telephone: +44 (0)20 7332 2730 or email: publications@iasb.org

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