IFRS Foundation

Annual Report 2010

Financial reporting for the world's interconnected financial markets

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IFRS

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The front cover of the IFRS Foundation 2010 Annual Report recognises the outstanding contribution by both current and former Trustees, Board members and staff who have served in the Foundation since its inception in 2001. E&OE.

Introduction

Our objective

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

In doing so:

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

The IFRS Foundation

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

Public authorities	Monitoring Board of external public capital market authorities	
Governance & oversight	IFRS Foundation Trustees	
IFRS Foundation	**Independent standard-setting** International Accounting Standards Board (IASB), Advisory Council, Interpretations Committee	**IFRS Foundation Operations** Secretariat, Communications, Content Services, Education Initiative, IFRS XBRL Taxonomy

IFRSs around the world

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

Current use of IFRSs in the countries of the G20*

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

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

Enhancing governance and accountability

2001

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

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

2002

Trustees begin review of longer-term funding options

2003

First public Constitution Review begins

Trustees approve the creation of an education programme

2004

Trustees publish Constitution Review documents for public consultation

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

2005

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

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

Trustees appoint a Chair and members of the reconstituted SAC

2006

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

1

Trustees of the IFRS Foundation

Inspiring confidence and trust in independent standard-setting

2007

Trustees introduce annual review of their oversight activities

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

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

Require the IASB to produce a feedback statement on major projects

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

2008

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

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

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

2009

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

Trustees undertake second part of the Constitution Review

2010

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

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

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

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

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

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

ROBERT GLAUBER
ACTING CO-CHAIR AND VICE-CHAIR
OF THE IFRS FOUNDATION TRUSTEES

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

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

2010: laying the groundwork for global standards

While there is much to celebrate about 2010, the year ended most sadly with the tragic and sudden death of Tommaso Padoa-Schioppa, the Chair of the IFRS Foundation. The international financial community will greatly miss Tommaso's leadership, intellect and wry sense of humour. The Trustees are now in the process of establishing an annual IFRS lecture at a prestigious university, in honour of our great friend Tommaso.

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

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

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

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

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

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

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

- **Appointed Hans Hoogervorst as IASB Chair and Ian Mackintosh as IASB Vice-Chair:** In October 2010 and following a global search, the Trustees announced that Hans Hoogervorst, then the chairman of the Netherlands Authority for the Financial Markets (AFM) and chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO), would succeed Sir David Tweedie. The Trustees also appointed Ian Mackintosh to fill the Vice-Chair role formerly held by Tom Jones.

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

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

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

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

The Trustees' 2011 priorities

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

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

The Trustees have identified the following priorities for 2011:

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

  We are seeking a rapid conclusion to this search. However, as acting Co-Chairs and Vice-Chairs we are also committed to dedicating the necessary time to our other duties. We will work with the incoming Chair to ensure a smooth transition.

- **Completion of the strategy review:** The Trustees are committed to the timely completion of the strategy review in the third quarter of 2011. This review will follow a thorough due process. The Trustees are now consulting on their conclusions and will consult the IFRS Advisory Council and stakeholders through round-table meetings.

- **Enhancing the Trustee due process oversight responsibilities:** In 2006, the Trustees established their Due Process Oversight Committee to play a more active and visible role in the oversight of the IASB's due process. This Committee meets with the IASB regularly to monitor its compliance with due process procedures, to review complaints regarding the IASB's due process and to assess other areas of concern related to the IASB's due process activities. Nevertheless, some stakeholders have expressed further concern regarding the effectiveness of the Trustees' oversight over the IASB's procedures.

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

Ensuring a more secure financial footing in 2011

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

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

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

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

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

Aki Fujinuma

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

Robert R. Glauber

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

Report of the Due Process Oversight Committee

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

2010 priority areas

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

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

First, the DPOC undertook to monitor the IASB's compliance with its due process as it completes its 2006 Memorandum of Understanding with the FASB. Consistently with that objective, during 2010 the DPOC intensified its interaction with the IASB as the boards published exposure drafts of major convergence standards for public comment. During this period, the DPOC responded to concerns from interested parties about their difficulty in providing high quality input on a timely basis due to the number of due process documents published for public comment at the same time. In consultation with the DPOC, the IASB agreed with the FASB to limit the number of concurrent due process documents published for public comment at one time, and to give priority to those projects on which improvements in financial reporting were considered most urgent. The DPOC has continued to monitor the due process followed by the IASB as it completes its convergence work and, at the request of the Chair of the IASB, will meet monthly in order to monitor the quality and robustness of the due process followed by the IASB in finalising its convergence work.

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

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

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

2011 priorities

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

DAVID SIDWELL
TRUSTEE AND CHAIR OF THE DPOC

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

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

1. Review the IASB's due process
First, the DPOC will undertake a systematic review of the IASB's due process. This review will include consideration of effect analysis requirements as part of the IASB's due process, and the extent to which the Foundation's XBRL activities can be integrated into its mainstream standard-setting activities and due process requirements. Once the review is completed, the DPOC will provide an update to the Due Process Handbook.

2. Create an enhanced DPOC protocol
Second, the DPOC will create an enhanced protocol that describes how it discharges its responsibilities. The enhanced protocol will describe the interaction between the IASB and the DPOC, while respecting the independence of the IASB in its standard-setting activities. Once established, the enhanced protocol will provide a framework for the DPOC to oversee due process compliance from agenda consultation through to the issuing of a standard. It is intended that the DPOC will issue a final report on the due process review at the end of each major project, as well as providing regular updates on the results of its review and discussions with the IASB throughout the life cycle of the projects.

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

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

Trustees of the IFRS Foundation

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

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

At 31 December 2010

Acting Co-Chairs

1 Tsuguoki (Aki) Fujinuma

Vice-Chair of the Trustees

Former Chair and President, Japanese Institute of Certified Public Accountants (JICPA); former President, the International Federation of Accountants

Japan

Term expires: December 2013

2 Robert Glauber

Vice-Chair of the Trustees

Retired Chair and CEO, NASD; former Under Secretary of the Treasury for Finance

United States

Term expires: December 2011

Africa

3 Jeff van Rooyen

CEO, Uranus Investment Holdings; former Vice Chairman, Executive Committee, International Organization of Securities Commissions (IOSCO); former CEO, South African Financial Services Board

South Africa

Term expires: December 2012

Asia/Oceania

4 Marvin Cheung

Retired Chairman, KPMG Hong Kong

Hong Kong SAR, People's Republic of China

Term expires: December 2011

5 Zhongli Liu

President, Chinese Institute of Certified Public Accountants; former Minister, Ministry of Finance

People's Republic of China

Term expires: December 2011

6 Jeffrey Lucy AM

Former Chairman, Australian Financial Reporting Council; former Chairman, Australian Securities and Investments Commission

Australia

Term expires: December 2013

7 T V Mohandas Pai

Chairman, Manipal Universal Learning Pvt. Ltd; former Member of the Board, Infosys Technologies Limited; former Chairman, Infosys BPO Limited

India

Term expires: December 2011

8 Noriaki Shimazaki

Special Adviser, former CFO and Member of the Board, Sumitomo Corporation; Chairman, International Affairs Committee, the IFRS Council

Japan

Term expires: December 2011

Continued overleaf

Europe

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

10 Oscar Fanjul
Vice Chairman, Omega Capital;
Vice Chairman, Lafarge;
former Chairman, founder
and CEO, Repsol
Spain
Term expired: December 2010

11 Sir Bryan Nicholson GBE
Former Chairman,
Financial Reporting Council
United Kingdom
Term expires: December 2011

12 Luigi Spaventa
Former Chairman, Commissione
nazionale per le società e la borsa
(Consob) and Minister of the Budget
Italy
Retired: June 2010

13 Yves-Thibault de Silguy
Vice Chairman and Lead Director,
Vinci; former member of the
European Commission responsible
for economic, monetary and
financial affairs
France
Term expires: December 2012

14 Antonio Vegezzi
President, Capital Italia Fund;
former President, Capital
International and Director, Capital
Group
Switzerland
Term expired: December 2010

North America

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

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

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

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

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

South America

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

Continued overleaf

Successors for Trustees retiring at the end of 2010

New appointments

23 **Duck-Koo Chung**
Former Minister of Commerce, Industry and Energy
Republic of Korea
Term expires: December 2013

24 **Dick Sluimers**
CEO, APG Group
The Netherlands
Term expires: December 2013

25 **Antonio Zoido**
Chairman of the Board and CEO, Bolsas y Mercados Españoles (BME)
Spain
Term expires: December 2013

The Monitoring Board

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

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

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

Member organisations at 31 December 2010

European Commission
Michel Barnier, Commissioner

Financial Services Agency of Japan
Katsunori Mikuniya, Commissioner

International Organization of Securities Commissions (IOSCO)

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

Emerging Markets Committee
Zarinah Anwar, Chairman of the Securities Commission, Malaysia

United States Securities and Exchange Commission (SEC)
Mary Schapiro, Chairman

Observer

Basel Committee on Banking Supervision
Sylvie Matherat, Director, Financial Stability, Banque de France

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 adopting IFRSs

IASB begins broadcasting its meetings over the Internet

2004

IASB completes stable platform of IFRSs for 2005 adoption

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

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

2 Activities of the IFRS Foundation

Financial reporting for the world's capital markets

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 (ie foreign private issues) reporting under IFRSs as published by the IASB, 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

2010

Hans Hoogervorst announced as successor to Sir David Tweedie; Ian Mackintosh to become Vice-Chair of the IASB from July 2011

Streamlining of convergence process with the FASB, including the launch of regular progress updates

An estimated half a million Brazilian small and medium- sized entities start using the *IFRS for SMEs*

Launch of dedicated investor outreach programme

IASB undertakes extensive consultation while focusing on the completion of the remaining convergence projects

Report of the Chairman of the IASB

This is my tenth and final report as Chairman of the IASB. Much has changed since the early days in 2001 when the IASB replaced its part-time predecessor body, the International Accounting Standards Committee.

SIR DAVID TWEEDIE
CHAIRMAN OF THE IASB

At that time the fledgling IASB had a tiny office with only a few rooms, a dozen or so staff—about five of whom were technical staff—and inherited a set of International Accounting Standards (IASs) that only a handful of countries used. Now, at the time of writing, the organisation has a technical staff of 55 and a support staff of 70 people, coming from 28 countries. Many international organisations claim to have a geographically diverse workforce, but few can match the IASB in this regard.

It has been my great good fortune, as the first chief executive of the Foundation and chairman of the Board, to have worked with colleagues of immense dedication, talent and skill in furthering our mission in the public interest. Their unwavering support, professionalism and hard work have been critical to our success, and I have the highest admiration for their achievements. Equally important, I do not think it would be sentimental to describe us as an extended family that, despite its expansion over such a short period, has somehow retained its original spirit, enthusiasm and unity.

I am sure that, in 2001, few foresaw that by the end of the decade IFRSs would be so widely adopted. Nor did many anticipate that in the same period such a new, and small, organisation would be able to manage such an extensive agenda and deliver so many improvements to international financial reporting.

Our predecessor body, the IASC, was initially set up as a 'think tank' to write a suite of standards from which countries could pick and choose to replace weaknesses in their own standards. Our role changed completely in 2002 when the European Union, frustrated at more than a decade of effort to develop European accounting rules, instead decided to embrace international accounting standards by requiring the use of IFRSs from 2005.

Europe's experience of 25 sovereign nations, each with their own national accounting standards, simultaneously switching to IFRSs should offer some comfort to other jurisdictions concerned about their own transitional arrangements. Recent research has shown that, in addition to raising the quality of financial reporting across Europe, switching to IFRSs has delivered improvements in financial reporting even for those countries such as the United Kingdom with advanced financial reporting requirements. In the wake of Europe's decision, Australia, Hong Kong SAR, New Zealand and South Africa quickly moved to the adoption of IFRSs, followed in 2007 by China, which did not adopt on a 'word for word' basis but whose requirements are now very close to IFRSs. In 2008 Israel, 2009 Chile, and 2010 Brazil adopted IFRSs to be followed by a host of other countries in the next two years, namely, Canada, Korea, Malaysia, Mexico, Singapore and Taiwan. The tipping point is then achieved, and the world has in effect committed itself to global financial reporting standards.

The importance of global standards

When I wrote my first report we were in the midst of the Enron scandal and corporate governance failures. Now, as I write my last report, the chapter on a financial crisis that brought to question the quality of financial reporting by banks and governments has not yet closed.

Each financial crisis is followed by understandable calls for improvements to financial reporting and the elimination of differences. The same was true of the Asian financial crisis in the 1990s and before that the Savings and Loans crisis of the 1980s. However, where previous financial crises have been national or regional in both cause and effect, this latest one is truly global. While the global free flow of capital has been evident for more than a decade, global financial regulation, and with it international financial reporting, is playing catch-up.

It was with this in mind that our joint work with the US standard-setter, the Financial Accounting Standards Board (FASB), the standard-setter responsible for US GAAP, began in 2002 with the Norwalk Agreement and became formalised in the Memorandum of Understanding agreed with the Securities and Exchange Commission (SEC) and the FASB in 2006. The objective of the Memorandum (MoU) was to demonstrate to the United States that US GAAP and IFRSs were converging and to enable the SEC to remove the requirement for foreign companies listed in the United States to reconcile their IFRS financial statements to US GAAP.

> At present about 120 countries either require or permit use of our standards and if favourable decisions are achieved in Japan and the United States the number of adopting countries could rise very quickly to over 150.

In 2007 the SEC removed the reconciliation requirement, and went further still by initiating a work plan that would pave the way for the SEC to consider allowing domestic US companies to use IFRSs. In 2008 we updated the MoU, setting ambitious goals to complete a combination of focused and comprehensive projects designed to deliver improvements to IFRSs and US GAAP, and in doing so bridge the gap between our respective standards.

We must not lose sight of the benefits of global standards. The US decision for incorporation of IFRSs into US GAAP is imminent. That, and the decision by the Japanese Financial Services Authority, are the last big steps towards making this a reality.

Completing the remaining convergence projects

As I write this report, we have all but completed the short-term projects identified for action in the MoU, and of the longer-term projects, only three of the priority convergence projects remain for which the boards have yet to finalise the technical decisions—financial instruments, revenue recognition and leasing.

It is no surprise that these three remaining longer-term convergence projects represent some of the most challenging areas of financial reporting for standard-setters.

The technical tables in this report summarise the extent to which the boards have completed the MoU projects and provide an update of the work that we have undertaken in 2010.

Modern standard-setting

To a degree, the IASB has been a victim of its own success. As adoption of IFRSs has spread around the world, the IASB evolved into an organisation that is, in effect, setting financial reporting law for more than 100 countries.

This transition has not been without its challenges. In addition to developing standards of the highest quality, the IASB has been required to work with interested parties around the world to ensure that all views are taken into consideration, and to facilitate a sense of ownership and buy-in to the final product. This is not always easy to do given that the number of countries using our standards is larger than the number of IASB staff.

The way we set standards is also very different now from when we began our work in 2001. Back then, we would publish proposals and wait for the comment letters to come in. Today's standard-setting involves developing our proposals using real-time feedback from expert advisory panels, while seeking feedback before, during and after the formal comment period. We use a variety of methods to encourage the broadest possible participation in the standard-setting process and hold public round tables and discussion forums around the world to solicit direct feedback.

At the end of this process, we publish feedback statements that explain what we heard, how we responded and the rationale for the choices that we made. I am not aware of any comparable organisation that can claim to consult so widely or communicate so effectively with its stakeholders.

The future of financial reporting

I have fought long and hard to protect the integrity of the standard-setting process. I have also been driven by the belief that the global economy is best served by one set of high quality financial reporting requirements. The collapse of Enron and its related corporate governance failures, the credit crisis and the financial crisis that followed have only strengthened my belief. The debates over individual financial reporting standards have shown that well organised lobby groups that have their own interests at heart pitch IASB and FASB requirements against each other. Their arguments can be simple and seductive to those less familiar with the transactions and activities to which the reporting requirements relate. I would rather that their energy was channelled into helping us set the highest quality accounting standards.

We know that we do not work in a vacuum. Our financial reporting standards are part of a complex system of capital markets and regulations. We seek to be strong and independent defenders of transparency. Our main goal is to ensure that those who provide resources to businesses understand the financial implications of the risks and opportunities those businesses have and how those risks and opportunities are managed. Without high quality financial reports there can be a lack of connection between the risks investors think they are taking and those who have their funds are taking. That we have stood up to political pressure shows that we are willing to put the interests of investors ahead of vested interests.

I am delighted that the IASB is in such safe hands with Hans Hoogervorst and Ian Mackintosh who are set to take the helm. I know that they will do everything they can to protect the independence of the IASB.

The Board

In 2010 three of the founding members of the Board reached the end of their term of office—Bob Garnett, Gilbert Gélard and Jim Leisenring. Anyone who follows our affairs will know the extraordinary impact each of them had on our debates over the nine years they served on the Board, and the vigour and eloquence with which they spoke at conferences and seminars around the world. Jim will also be remembered as the last chairman of the G4+1 group of standard-setters, whose publications played a formative role in the IASB's work programme. Bob kindly agreed to continue as Chair of the IFRS Interpretations Committee thereby allowing us to leave the committee in good hands. I thank them, both as colleagues and as friends for many years even before the IASB was created. In their place we welcomed Elke König, Paul Pacter (a long-standing member of the staff) and Darrel Scott.

Further changes in the composition of the Board will have taken place in June 2011 when the remaining three founding members—Warren McGregor, Tatsumi Yamada and I—complete our appointments. As I shall be unable to pay tribute to my two colleagues in a future annual report I take this opportunity to place on record my thanks and respect for their unswerving support and commitment, and my admiration for their stamina in long-haul commuting for ten years from their native countries. Warren was also a founding member of the G4+1 and, like Tatsumi, attended meetings of the Board's predecessor, so with their departure a link with the standard-setting past will be broken.

The wider IFRS community

Beyond the numbers of those who have worked with us directly, there is a large number of people who share our purpose and are willing to help, many of them on a voluntary basis.

Most closely are the Trustees, whose support and counsel has been vital for the organisation's welfare and independence. The untimely death of Tommaso Padoa-Schioppa was a terrible loss to the organisation, and I am grateful for the support and encouragement that the acting Co-Chairs, Aki Fujinuma and Bob Glauber, have given us in the period since then.

I am also grateful for the insights and contributions to our thinking that are brought by members of the Advisory Council, as well as our consultative groups of preparers and analysts of financial statements and our expert advisory groups. Another group of people who play an important role in setting standards is the IFRS Interpretations Committee. As well as developing Interpretations, the Committee has taken on the role of helping the Board deal with the many suggestions we receive for limited changes to standards. The Board is grateful to the Committee for taking on this work.

As an international organisation we strive to reach out to all those who may be affected by our work, and we have put increased resources into both explaining what we do and gathering views from all quarters of the world. These activities bring us into contact with ever-growing numbers of people and organisations. I cannot thank them individually for the help they give us in developing our proposals, but their contributions are a vital part of our work in setting standards that are of truly global application.

The staff

In my professional career I have never worked with such dedicated, professional staff composed of such delightful people.

Bringing together all the strands of technical information and advice is the task of the technical staff, whose response to the heavy demands of the Board's work programme as we have neared our target date of June 2011 has been exceptional and unremitting. Leading this work has been the team of

The IASB is grateful for the direct support it received in 2010 through staff seconded from the national standard-setters of China, Italy, Japan and Korea:

- Accounting Regulatory Department of Ministry of Finance, P.R. China
- Organismo Italiano de Contabilita
- Accounting Standards Board of Japan
- Korea Accounting Standards Board

technical directors—Alan Teixeira (Technical Activities), Gavin Francis and his successor Sue Lloyd (Capital Markets), Peter Clark (Research), Michael Stewart (Implementation Activities) and Wayne Upton (International Activities). Their commitment, and that of their staff, to the achievement of the Board's goals and attempting to meet our target dates has been tireless and beyond the call of duty.

Alongside the technical team is the infrastructure team, whose support is also critical to the success of the organisation's work. The team is headed by our Chief Operating Officer, Tom Seidenstein, who has been here since the organisation was founded and has therefore played a large part in shaping its astonishing growth and development. His strategic leadership has been a crucial and decisive factor throughout his time here and particularly over the past year. Leading the support work is the team of operational directors—Mark Byatt (Communications), Miranda Corti (Finance and Resources), Ken Creighton (IFRS Content Services), Olivier Servais (XBRL Activities) and Mike Wells (Education Initiative). I am grateful for their continuing support in driving forward the work of the organisation.

I want to make special mention of our editorial director, Michael Butcher, who will also be retiring from the IASB at the end of June 2011. Michael has edited every discussion paper, exposure draft, IFRS, interpretation and bound volume we have published over the last ten years. His contribution has been immense, and both Michael and his sturdy red pen will be missed.

Lastly I want to thank those who have worked most closely with me over many years—my personal assistant Janet Smy along with Ailie Burlinson, Kathryn McArdle and Jill Robinson. I shall miss them.

Of that handful of people who greeted me ten years ago, only a few remain with us. I am delighted that they have stayed to provide the backbone of this organisation. Many of those who have joined since 2001 have, of course, moved on to other roles in other organisations and other countries. We cherish those alumni both for the contribution they made while they worked here and because we believe they have a good story to tell the world about this organisation. The names of those—more than 300 in all—who have worked here, whether employed or on secondment, and have helped to build this organisation into a global standard-setter are set out on the cover of this report. Before very long I will become a member of those alumni, and a very proud one at that.

Sir David Tweedie
Chairman of the IASB

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Technical activities in 2010

Our technical agenda has become much smaller over the past two years as the IASB has made it a priority to focus on completing projects responding to matters raised during the financial crisis and on completing the IASB-FASB Memorandum of Understanding (MoU) projects.

Financial crisis related projects

The financial crisis led the IASB to review its work priorities. In particular, questions were raised by many stakeholders about the complexity of IAS 39 *Financial Instruments: Recognition and Measurement*; the effectiveness of the incurred loss model for loan provisions; off balance sheet risks in particular related to securitisations (derecognition) and special purpose vehicles (consolidation); and fair value measurement of assets especially when markets became illiquid.

The G20 leaders, at their summit meeting in April 2009, 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.

The IASB's efforts to improve its requirements and to reach a common solution with the FASB have been complicated by differing imperatives that pushed the development timetables out of alignment—the IASB met its commitment to the EU Finance Ministers and other international stakeholders to issue a standard on the classification and measurement of financial instruments in time for use in 2009 year-end financial statements. At the same time, the FASB responded to requests from its own stakeholders to modify aspects of its own financial instruments accounting requirements.

The broad strategy for addressing those differences remains the same—each board has been publishing its proposals while also soliciting comment on those of the other board, as a way of giving interested parties the opportunity to compare and assess the relative merits of both boards' proposals. All aspects of the project are being considered by the two boards together in an effort to reconcile any differences in ways that foster improvement and convergence.

Financial instruments

Project	Update
Classification and measurement	The IASB issued IFRS 9 *Financial Instruments* in November 2009. At that time the IASB did not address the accounting for financial liabilities. Most respondents to the exposure draft preceding IFRS 9 said that the accounting for financial liabilities worked well except for one issue—the volatility in net income that arises when an entity's own debt is measured at fair value. In such cases, changes in the creditworthiness of the issuer cause net income volatility (the 'own credit issue'.). In May 2010 the IASB published an exposure draft proposing a solution to the own credit issue. In November 2010 the IASB amended IFRS 9 by carrying forward from IAS 39 the existing requirements for financial liabilities along with the new requirements for financial liabilities when entities elect to measure its liabilities at fair value. Once the FASB has made its decisions about classification and measurement, the IASB will seek feedback on the FASB's final conclusions to before determining how, or indeed whether, it should bridge or reconcile any differences between IFRS 9 and US GAAP.
Impairment of financial assets measured at amortised cost	The objective is to increase the usefulness of financial statements by improving the transparency of information about the credit quality of financial assets. The main focus is the estimation and reporting of expected losses, in a timely manner. This phase of the project has been developed jointly with the FASB. In November 2009 the IASB published for public comment an exposure draft on provisions. The proposals followed an initial Request for Information, published in June 2009, on the practicalities of moving to an expected loss model. The exposure draft proposed to switch from an incurred loss model to an expected loss model. Extensive disclosure requirements were proposed to provide investors with an understanding of the loss estimates that an entity judges necessary. The IASB is aware of the significant practical challenges of moving to an expected loss model and has been assisted by an Expert Advisory Panel (EAP), comprising experts in credit risk management, which it established in December 2009. In January 2011 the IASB published, jointly with the FASB, a supplement to the December 2009 exposure draft. The supplement presented an impairment model that the boards believed would enable them to satisfy at least part of their individual objectives for impairment accounting while achieving a common solution to impairment. Feedback was mixed, with many respondents preferring the IASB's simplified proposals and others preferring aspects of the FASB's original model. In May 2011 the boards set up a task force of staff and board members to work on the model. Both boards recognise the importance of this phase of the financial instruments model and the need to reach a common solution. The boards expect to publish revised proposals in the near future.

Project	Update
Hedge accounting	In December 2010 the IASB published proposals to revise hedge accounting, for both financial and non-financial exposures. There was strong support for the proposals, with respondents welcoming the IASB's approach, namely to address hedge accounting comprehensively. The exposure draft did not address portfolio hedges. The IASB expects to develop more fully its proposals related to portfolio hedging before it finalises the more general hedging requirements.
Balance sheet netting of derivatives and other financial instruments	In January 2011 the boards published a joint exposure draft proposing changes to IFRSs and US GAAP that would align the reporting of offsetting financial assets and liabilities. Responses were mixed. In June 2011 the IASB and FASB reached different conclusions—the IASB voted 15-0 to affirm the proposals whereas the FASB voted 4-3 not to proceed as proposed. The boards are examining ways of reconciling those differences.

Other financial crisis related projects

Project	Update
Consolidation	In May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities.* IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.
Fair value measurement	In May 2011 the IASB issued IFRS 13 *Fair Value Measurement*, with the objective of establishing the same requirements in IFRSs and US GAAP for measuring fair value. IFRS 13 defines, and sets out a framework for measuring, fair value and sets out the related disclosure requirements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

Project	Update
Derecognition	The IASB developed and exposed proposals aimed at improving the assessment of when a financial asset should be derecognised and also at providing users of financial statements with more and better information about an entity's risk exposure. The overwhelming preponderance of the feedback was that the existing requirements had stood up well during the crisis and that fundamental changes to the IASB derecognition criteria were not needed. However, the feedback highlighted the need for improved disclosure to assist investors. In March 2010 the IASB amended IFRS 9 by carrying forward from IAS 39 the requirements related to the derecognition of financial assets. In October 2010 the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*. Those amendments improve the disclosure requirements in relation to transferred financial assets.

The IASB-FASB Memorandum of Understanding (MoU) projects

The MoU issued in 2006 (updated in 2008) sets out the projects the two boards agreed to develop together. The short-term projects identified for action in the MoU have been completed or are close to completion. Of the longer-term projects, only three of the priority convergence projects remain for which the boards have yet to finalise the technical decisions—financial instruments, revenue recognition and leasing.

Short-term (narrow scope) improvements

Most of the short-term projects required one of the boards to revise its requirements to align them with those of the other board. Other projects, such as share-based payment, required both boards to issue revised standards.

Project	Board	Status	Update
Share-based payment	Both	Completed	Substantially common standards issued in 2004.
Segment reporting	IASB	Completed	IFRS 8 *Operating Segments* issued in 2006.
Non-monetary assets	FASB	Completed	SFAS 153 *Nonmonetary Assets* issued in 2004. The FASB converged on the treatment of certain non-monetary exchanges to require recognition at fair value unless the transaction lacks commercial substance.
Inventory accounting	FASB	Completed	SFAS 151 *Inventory Costs* issued in 2004. The FASB converged on the treatment of excess freight and spoilage.
Accounting changes	FASB	Completed	SFAS 154 *Accounting Changes and Error Corrections* issued in 2005. The FASB converged on the treatment of voluntary changes in accounting policy by requiring retrospective application.
Fair value option	FASB	Completed	SFAS 159 *The Fair Value Option for Financial Assets and Financial Liabilities*, issued in 2007, introduced the fair value option into US GAAP.
Borrowing costs	IASB	Completed	Revised IAS 23 *Borrowing Costs* issued in 2007.
Research costs	FASB	Completed	SFAS 141R *Business Combinations*, issued in 2008, amending the accounting for acquired R&D.
Non-controlling interests	FASB	Completed	SFAS 160 *Noncontrolling Interests in Consolidated Financial Statements*, issued in 2008, eliminating the use of mezzanine presentation of non-controlling interests.

Project	Board	Status	Update
Joint ventures	IASB	Completed	In May 2011 the IASB issued IFRS 11 *Joint Arrangements*, which supersedes IAS 31 *Interests in Joint Ventures* and SIC—13 *Jointly Controlled Entities–Non-monetary Contributions by Venturers*.
Income tax	Both	Reassessed as a lower priority project.	The IASB published an exposure draft in 2009. Although the proposals were developed jointly, the FASB did not publish an equivalent exposure draft. As a result of the input received, the IASB decided not to proceed with the proposals in their current form. However, in December 2010 the IASB issued an amendment to IAS 12 *Income Taxes* providing a practical solution to the problem of determining whether assets measured using the fair value model in IAS 40 *Investment Property* are recovered through use or through sale.
Investment properties	FASB	In progress	The FASB plans to publish an exposure draft in July 2011 to propose bringing US GAAP closer to IFRSs.

Major projects and improvements

With the exception of the three remaining priority MoU projects, the following schedule details the progress of the IASB's and FASB's MoU projects:

Project	Status	Milestone
Business combinations	Completed	Joint requirements for business combination accounting and non-controlling interests issued in 2008—IFRS 3 *Business Combinations* and amended IAS 27 *Consolidated and Separate Financial Statements.*
Derecognition	Completed	Each board has introduced reforms substantially aligning the disclosure requirements, and as a result US GAAP has moved closer to IFRSs.
Consolidated financial statements	Completed	IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities* issued in May 2011. IFRS 12 includes disclosure requirements about off balance sheet risks.
Fair value measurement	Completed	SFAS 157 *Fair Value Measurements* issued in 2006. IFRS 13 *Fair Value Measurement* issued in May 2011.
Post-employment benefits	Completed	In April 2010 the IASB published an exposure draft *Defined Benefit Plans*. The IASB issued amendments to IAS 19 *Employee Benefits* in June 2011.
Financial statement presentation	Project scope reassessed.	The IASB and FASB published a joint discussion paper in October 2008. After considering the 220 comment letters and the results of field tests the boards published a working draft of an IFRS reflecting their tentative decisions. The boards used that draft as the basis for additional outreach. The outreach suggested that some participants had concerns about aspects of the proposals but supported others. The boards concluded that significant additional work would be required to develop a viable exposure draft. In the light of other priorities, the boards decided to consider returning to the project once the other MoU projects had been completed. The boards did, however, decide to align how other comprehensive income is reported. The boards published exposure drafts in May 2010 and issued amendments in June 2011.

Project	Status	Milestone
Financial instruments with characteristics of equity	Reassessed as a lower priority project.	In February 2008 the IASB published a discussion paper *Financial Instruments with Characteristics of Equity*. The IASB and FASB used the responses to help them develop a working draft of a proposal to replace IAS 32, which they used to undertake focused outreach. In the light of comments received, the boards decided to focus on other projects and not to publish an exposure draft in the near term as originally planned. The boards will consider returning to this project later in 2011. In November 2010 the IASB asked the IFRS Interpretations Committee to explore potential solutions to address concerns that have been raised on the accounting for put options written over non-controlling interests.
Intangible assets	Reassessed as a lower priority project.	The IASB considered an agenda proposal to add a project on intangible assets in December 2007. The IASB decided not to proceed with the project, but will reconsider it when it sets its new agenda.
Revenue recognition	Re-exposure of proposals.	The IASB is working to replace its very general requirements that cause preparers to rely on US GAAP for specific guidance. The FASB is working to replace its wide-ranging, detailed and sometimes inconsistent industry-specific requirements with cohesive principles. The IASB and FASB published a joint discussion paper in December 2008 and an exposure draft in June 2010. In June 2011 the boards concluded that, although their due process requirements made it clear that re-exposure was not required, they would re-expose the proposals because of the special nature of revenue.
Leases	Redeliberation of exposure draft.	Lease obligations are widely considered a significant source of off balance sheet financing. The objective is to improve financial reporting by lessors and lessees. The boards published a joint exposure draft in August 2010. In July 2011 the boards will consider whether they should re-expose the proposals.
Financial instruments	See separate section above.	

Other joint projects

Project	Update
Insurance contracts	The IASB is developing an IFRS to replace the interim standard, IFRS 4 *Insurance Contracts*, to provide a basis for consistent accounting for insurance contracts. The FASB joined the IASB on the project in October 2008. The IASB published a discussion paper in 2007 and an exposure draft in 2010. The FASB published a discussion document in 2010, but has yet to publish an exposure draft. In 2011 the boards began considering together the feedback received on the IASB's exposure draft and the FASB discussion paper, aiming to complete their deliberations on the major issues by the end of 2011.
Emission trading schemes	The boards began to work together in 2009 and have been considering different accounting proposals. In October 2010 the boards decided to defer further consideration until they had completed their major MoU projects.
Conceptual framework	The project aims to create a sound foundation for future accounting standards, to ensure that they are principle-based and internally consistent. In March 2010 the IASB and FASB published an exposure draft of a chapter on the reporting entity. In September 2010 the boards issued the first completed chapters of the *Conceptual Framework for Financial Reporting* (Objectives and Qualitative Characteristics).

Other improvement and research projects

Project	Update
Liabilities (revision to IAS 37)	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is the IASB's general standard on uncertain liabilities (sometimes known as provisions). The main focus is on clarifying when an entity has a liability in some cases of uncertainty and how to measure liabilities with an uncertain settlement amount. The IASB exposed its proposals in 2005. In January 2010 it re-exposed the proposals, inviting additional comments on this one aspect of the original proposals. In the light of comments received, including concerns some respondents had about the scope and limited nature of the re-exposure, the IASB resolved to re-expose in full any revised proposal.
Management commentary	The objective is to develop guidance for the preparation of management commentary (or MD&A), primarily for the benefit of those jurisdictions that do not have any requirements or guidance for the preparation of management commentary. In December 2010 the IASB issued IFRS Practice Statement *Management Commentary – a framework for presentation*. The Practice Statement provides a broad, non-binding framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRSs.
Extractive activities	The objective is to develop an IFRS on accounting for extractive activities that would supersede IFRS 6 *Exploration for and Evaluation of Mineral Resources.* In April 2010 the IASB published a discussion paper prepared for it by a project team with representatives from the national standard-setters of Australia, Canada, Norway and South Africa. In October 2010 the IASB considered a summary of the response to the discussion paper. It plans to make a decision on whether the extractive activities project should be added to its active agenda when it undertakes its agenda consultation in 2011.
Narrow scope improvements	The IASB considers requests, mainly as a result of recommendations from the IFRS Interpretations Committee, to make limited, or narrow scope, improvements to IFRSs. Typically, these amendments address matters not anticipated by the IASB, or identified by respondents, when a standard was developed. The IASB issued narrow scope amendments: in January 2010, some exemptions from having to provide comparative information when a first-time adopter applies IFRS 7 Financial Instruments: Disclosures; in May 2010, clarification of the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* when an entity is unable to comply with IFRSs because of severe hyperinflation; and in May 2010, the removal of fixed dates for first-time adopters.

Due process documents published in 2010

Exposure drafts	
January	Measurement of Liabilities in IAS 37
March	Conceptual Framework for Financial Reporting: The Reporting Entity
April	Defined Benefit Plans
May	Fair Value Option for Financial Liabilities
May	Presentation of Items of Other Comprehensive Income
June	Revenue from Contracts with Customers
June	Measurement Uncertainty Analysis Disclosure for Fair Value Measurements
July	Insurance Contracts
August	Leases
August	Removal of Fixed Dates for First-time Adopters
September	Deferred Tax: Recovery of Underlying Assets
September	Severe Hyperinflation
December	Hedge Accounting

IFRSs and amendments to IFRSs	
January	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
May	Improvements to IFRSs
October	Disclosures–Transfers of Financial Assets
October	IFRS 9 Financial Instruments
December	Deferred Tax: Recovery of Underlying Assets
December	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

Draft Interpretation	
August	Stripping Costs in the Production Phase of a Surface Mine

Discussion paper	
April	Extractive Activities

Other documents	
September	The Conceptual Framework for Financial Reporting 2010
December	IFRS Practice Statement: Management Commentary –A framework for presentation

Report of the Chairman of the IFRS Interpretations Committee

The IFRS Interpretations Committee took on an expanded role in 2010. It met six times and considered 59 issues, including the 10 amendments made by *Improvements to IFRSs*, issued in May, and a draft interpretation, published in August.

ROBERT GARNETT
CHAIR OF THE
IFRS INTERPRETATIONS COMMITTEE

The draft interpretation *Stripping Costs in the Production Phase of a Surface Mine* proposed guidance to address diversity among mining entities reporting in this particular area of financial reporting. The Committee received 50 comment letters in response to the draft, and the Committee has begun its redeliberations in the light of these.

In January the Committee began work in its expanded role in relation to the IASB's annual improvements project. Many of the issues addressed by the project over the years have originated from issues considered by the Committee. The Committee's role now sees it developing proposals to a near-final stage for inclusion in the exposure draft of *Improvements to IFRSs*, deliberating the comments received on the exposure draft and making recommendations to the IASB on how to finalise the proposed amendments. The final decision on issues for inclusion in the project remains with the IASB. The Committee's work this year included consideration of comments received on the 15 amendments proposed in the 2009 exposure draft, and consideration of 18 new issues, of which 10 were recommended for inclusion in a future exposure draft of *Improvements to IFRSs.*

The Committee addressed two other main projects during the year. The first was a project to clarify the guidance on classifying vesting and non-vesting conditions for share-based payments. This led to proposals for inclusion in the annual improvements project, which are expected to be included in an exposure draft in 2011. The second was consideration of the accounting for put options written over shares in a subsidiary, held by a shareholder with a non-controlling interest. The Committee's work on this issue will continue in 2011.

In 2010 Darrel Scott, a member of the Committee since 2007, resigned upon taking up his appointment as a member of the IASB. He was replaced by Feilong Li, Controller, CNOOC Limited, China, who was appointed for a three-year term beginning on 1 July 2010. Three members were reappointed for an additional three-year term – Guido Fladt, Bernd Hacker and Andrew Vials.

My thanks go to Darrel for his contributions to the Committee and I wish him well in his new role. I also thank the members of the Committee and the staff for their continued dedication to improving financial reporting through the many and varied issues addressed by the Committee during the year.

Robert Garnett
Chair of the IFRS Interpretations Committee

Report of the Chairman of the IFRS Advisory Council

2010 was a busy and productive year. The Council's discussions focused primarily on the current IASB work plan, with a particular focus on the IASB's response to the financial crisis, the post-2011 agenda, and due process and governance issues. While recognising the urgency of the situation, members consistently stressed quality above speed.

PAUL CHERRY
CHAIR OF THE
IFRS ADVISORY COUNCIL

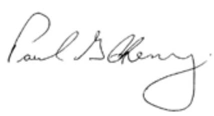
We advised the IASB against proceeding further on financial statement presentation or revisions of IFRS 2 *Share-based Payment* for the time being, and concurred that financial instruments, leases, revenue recognition and insurance contracts are the core projects. On financial instruments, members supported the mixed measurement model and an expected loss approach for recognition of impairment. While recent progress towards convergence is heartening, important differences still exist where a global standard is needed. Worried about potential inconsistencies among standards, the Council began a discussion of 'cross-cutting issues', which is to be continued in 2011.

The Council spent considerable time discussing the strategic direction and priorities post-2011 and submitted a paper to the IASB outlining our views. Setting the agenda is a critical function, especially as the emphasis shifts from convergence to adoption of IFRSs and with the challenges posed by the successful implementation of numerous major new and revised standards. Members fully supported the Trustees' decision to introduce a triennial public agenda consultation. The Council has already begun discussions with the IASB on this issue.

The Council discussed the Trustees' strategy review and the Monitoring Board's review of the IFRS Foundation relating to independence and accountability. It urged both bodies to closely co-ordinate the timing and outcomes of the reviews and allow ample opportunity for public consultation and a fully transparent due process. The Council invited them to consult it again before the reviews are concluded.

The Council conducted a performance assessment, which generated excellent suggestions for improving our performance and established benchmarks for future performance. The goal is to strengthen the Council's role in advising the IASB and the Trustees and to raise its profile with stakeholders worldwide.

Finally, I should like to express my sincere appreciation to the members and staff for their invaluable support and dedication to the success of IFRSs.



Paul Cherry
Chair of the IFRS Advisory Council

Stakeholder participation

Encouraged by the G20 and others, the IASB has further enhanced stakeholder participation in the development of IFRSs during 2010.

Broadening participation in the standard-setting process

- **Investors:** The IASB launched an investor liaison programme to strengthen communication between the accounting profession and the investor community. The programme included the appointment of an investor liaison manager and the creation of a dedicated investor section on the IFRS Foundation website. The website offers blog-style *Investor Perspectives* articles on topical issues written by former analysts who are now members of the IASB. In 2010, monthly articles were received by more than 5,000 registered users of the service.
- **Business leaders and policymakers:** The IASB continued to produce 'Snapshots' (short summaries written in plain English) of major discussion papers and exposure drafts. These documents use non-technical language to explain the broad concepts and the reasoning of its proposals. It also publishes project summaries and feedback statements on completed projects. During 2010 the IASB published seven Snapshots and project summaries and feedback statements in print and electronic format.
- **Global discussion:**

  Interactive webcasts: The IASB conducted 37 interactive webcasts to explain proposals and discuss aspects of its work with interested parties. Such webcasts attract an average of 200-300 listeners each.

  IASB hosted round-table discussions: The IASB hosted or participated in 15 round-table discussions across Asia, Europe and North America.

  Third-party hosted discussion forums: As a new initiative for 2010, in conjunction with third parties (such as national standard-setters) the IASB now hosts regional discussion forums on its work. During 2010, 13 regional discussion forums were held in 11 countries.

Helping interested parties to stay informed

- **Website:** The IASB substantially revised the project-specific sections of its website to provide comprehensive and timely information on the current and future stages of the project.
- **Improved video and audio facilities:** In 2010 the IFRS Foundation invested over £250,000 to upgrade its boardroom audio and video systems to the latest high definition technology, thus allowing for greater use of multi-way video-conferenced meetings with stakeholders while improving the audio and video quality for interested parties remotely observing Board meetings.
- **Email alerts:** The IASB has further developed its project-specific email alert systems to help interested parties keep up to date on specific project developments. In 2010, 11 project-based email categories were established, attracting a total of almost 90,000 registered users.
- **IASB Update:** Over 12,000 subscribers receive IASB Update, the official monthly summary of IASB meetings. In September 2010, the IASB introduced daily staff updates to paying subscribers to provide a more immediate summary of the conclusions of its meetings. There are over 10,000 subscribers to a separate IFRS for SMEs Update
- **Podcasts:** During the year, the IASB introduced short podcast summaries of monthly Board meetings that allow interested parties to keep track of its work. The IASB publishes short, project-specific summaries that are also available to download via the website or the IASB's iTunes financial reporting channel. During 2010 the IASB produced 13 Board, 5 Interpretations Committee and 16 project-related podcasts.
- **IFRS Conferences:** The IFRS Foundation organised or co-organised nine major conferences, including the first IFRS conference in South Africa.

Deepening the IASB's understanding of the issues

- **Introduction of a comment letter database:** In 2010 the IASB introduced an advanced database that permits more detailed analysis of comment letters, as well as providing a sophisticated mechanism to identify trends across feedback from different regions, industries or categories of respondents. Since the database was launched, the staff have uploaded and analysed more than 3,000 comment letters.
- **Introduction of dedicated outreach managers for each major project:** The IASB introduced full-time outreach managers for each major project to support greater dialogue with those most likely to be affected by its work. For example, outreach managers have facilitated small-group meetings to deepen the IASB's understanding of specific issues or concerns related to industry-specific accounting practices, or to encourage input from investors and other parties who are less likely to provide formal input.
- **Improved understanding of operational issues:** The IASB intensified its field work to gain a better understanding of operational issues related to its proposals, including the publication of staff drafts. These discussions supplement the IASB's already extensive due process and assist staff in drafting standards, with a view to reducing the risk of unintended consequences or the need for interpretations of the standards.

Closing the feedback loop

- **Expanded feedback statements:** A feedback statement summarises a project while explaining how the IASB has responded to feedback and the rationale for decisions taken. In 2010 the IASB expanded information published within feedback statements to include specific input from the investor community, as well as information on the due process steps undertaken by the IASB.
- **Closing the feedback loop:** Starting in 2010, upon completion of a project those who have submitted comment letters or expressed an interest in the project are sent copies of the project feedback statement by post or email.
- **Revisiting feedback received during the consultation process:** The IASB will conduct a post-implementation review of new standards two years after they have come into effect. As part of this process, the IASB will review feedback received during the development of the standard and consider if adjustments are required.

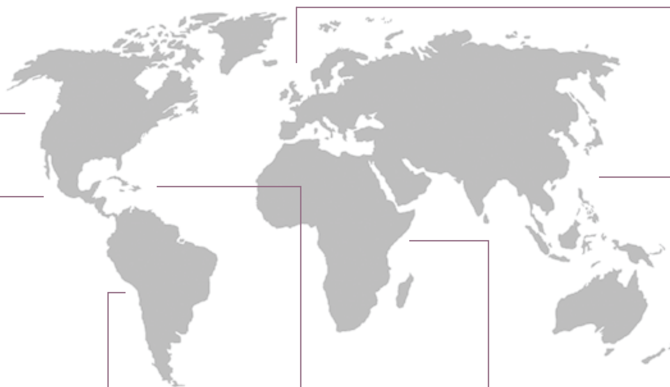
Status report: the *IFRS for SMEs*

The *IFRS for Small and Medium-sized Entities (SMEs)* is a self-contained, globally recognised standard of 230 pages that was issued in July 2009. It responds to strong international demand from both developed and emerging economies for a rigorous and common set of accounting standards for smaller companies.

The standard is available for adoption to all jurisdictions around the world even if they do not use full IFRSs. In 2010 the organisation worked intensively to support the widespread adoption and implementation of the *IFRS for SMEs*. For instance:

- The standard has already been translated into nine languages, with translations into eleven more languages in production.
- In March 2010 the IASB began publishing a monthly *IFRS for SMEs* Update newsletter. By December 2010 there were over 6,000 subscribers.
- The Foundation's Education Initiative has developed self-study training materials with hundreds of guidance examples, available for free download.
- In 2010 the IFRS Foundation Education Initiative began a series of 'train the trainers' workshops on the *IFRS for SMEs*, many organised in conjunction with The World Bank. The complete syllabus and 20 PowerPoint presentations (24 contact hours) are available for free download.
- The Trustees of the IFRS Foundation appointed an SME Implementation Group (SMEIG) to develop questions and answers as non-mandatory guidance for implementing the *IFRS for SMEs*. The SMEIG will also make recommendations to the IASB regarding possible amendments to the *IFRS for SMEs*.
- The *IFRS for SMEs* pages on the IASB's website were expanded to include many presentations and other materials in various languages.
- We published a briefing booklet about the *IFRS for SMEs* aimed mainly at small business managers and lenders.

By the end of 2010 over 70 jurisdictions either had already adopted the *IFRS for SMEs* or had publicly announced a plan to do so. Here are some examples:



North America
Available for use:
Canada, United States.

Central America
Available for use:
Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

South America
Available for use:
Argentina, Brazil, Chile, Guyana, Peru, Suriname, Venezuela.

Caribbean
Available for use:
Antigua & Barbuda, Aruba, Bermuda, Bahamas, Barbados, Cayman, Dominica, Dominican Republic, Guadeloupe, Jamaica, Montserrat, St Kitts-Nevis, St Lucia, Trinidad.

Africa
Available for use:
Botswana, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, South Africa, Tanzania, Swaziland, Uganda, Zimbabwe.

Europe
Available for use:
Switzerland.
Planned:
Denmark, Ireland, Latvia, United Kingdom.
Others studying
The European Commission is consulting on the *IFRS for SMEs*.

Asia
Available for use:
Cambodia, Fiji, Hong Kong, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka.

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In Focus: XBRL activities in 2010

The IFRS Foundation is committed to the development of a high quality XBRL taxonomy. With more jurisdictions requiring XBRL filings, the maintenance of a common taxonomy is essential to providing improved comparability to users of financial statements.

In April 2010 the Foundation published the first IFRS Taxonomy developed in accordance with the new due process for XBRL activities, as agreed by the Trustees in October 2009. The due process formalises the development of the IFRS Taxonomy and ensures that the Taxonomy is developed with the same rigour, transparency and public consultation as for the development of IFRSs.

Also for the first time in 2010, we published IFRS Taxonomy extensions — known as interim releases — following the publication of new IFRSs by the IASB. Interim releases contain additional taxonomy concepts that reflect new or improved IFRSs and are not included in — and are therefore supplementary to — the core taxonomy. The extensions support the early adoption of IFRSs and, by diminishing the need for entities to create their own taxonomy concepts, help to ensure that the consistency and comparability of electronically filed financial statements is maintained.

In addition to these activities the IFRS XBRL team:

- launched a new online tool, xIFRS (IFRSs with XBRL based on eIFRS) that supports viewing and understanding of the IFRS Taxonomy
- started to provide illustrative examples in XBRL that help preparers understand how to apply the taxonomy to their financial statements and how to create entity-specific extensions
- continued to translate the IFRS Taxonomy into other languages to support users of IFRSs and the IFRS Taxonomy whose primary language is not English. The IFRS Taxonomy has now been translated into more than 10 languages, including Arabic, Chinese, Dutch, French, German, Italian, Japanese, Korean and Spanish.

What is the IFRS Taxonomy?

The IFRS Taxonomy is an electronic ‘dictionary’ of IFRSs, including International Accounting Standards (IASs), Interpretations and the *IFRS for SMEs*, using XBRL (eXtensible Business Reporting Language) technology. The use of XBRL allows computers to treat financial data ‘intelligently’ by assigning an identifying tag to each individual item of data. The IFRS Taxonomy defines these tags in accordance with IFRSs.

Like the Bound Volume of IFRSs, the IFRS Taxonomy is released once a year to incorporate new IFRSs, improvements to existing IFRSs, and also changes in XBRL technology.

In 2010, we conducted a review of the membership of the Foundation’s two IFRS XBRL advisory committees — the XBRL Advisory Council (XAC) and the XBRL Quality Review Team (XQRT). The composition of the two committees was enhanced by increased representation from auditors and preparers, financial institutions, accounting bodies, standard-setters, regulators and software vendors from around the world. These changes were intended to reflect changes in the financial reporting and XBRL landscape and the widening, global user base of IFRS and XBRL reporting.

In terms of adoption, we are assisting regulators with the implementation of the IFRS Taxonomy in countries including Australia, Chile, Denmark, Israel, Japan, Korea, People’s Republic of China, Singapore, South Africa, Spain, The Netherlands and the UK. Furthermore, most countries that have adopted IFRSs are also considering the adoption of XBRL and the IFRS Taxonomy, including Brazil, Canada, Italy, Korea, Luxembourg, Mexico, Poland, Switzerland and the UAE.

The financial statements of the IFRS Foundation are available in XBRL format on www.ifrs.org

Members of the IASB

At 31 December 2010

1 **Sir David Tweedie, Chair**
Term began: January 2001
Term expires: 30 June 2011

2 **Hans Hoogervorst Chair-elect**
Chairman from July 2011
Appointed: October 2010

3 **Ian Mackintosh Vice-Chair-elect**
Vice-chairman from July 2011
Appointed: October 2010

Africa

4 **Darrel Scott**
Term began: October 2010
Term expires: October 2015

Asia/Oceania

5 **Prabhakar Kalavacherla (‘PK’)**
Term began: January 2009
Term expires: June 2013

6 **Warren J McGregor**
Term began: January 2001
Term expires: June 2011

7 **Tatsumi Yamada**
Term began: January 2001
Term expires: June 2011

8 **Wei-Guo Zhang**
Term began: July 2007
Term expires: June 2012

Europe

9 Stephen Cooper
Term began: July 2007
Term expires: July 2012

10 Philippe Danjou
Term began: July 2006
Term expires: June 2011

11 Jan Engström
Term began: May 2004
Term expires: June 2014

12 Elke König
Term began: July 2010
Term expires: July 2015

North America

13 Patrick Finnegan
Term began: July 2009
Term expires: June 2014

14 Paul Pacter
Term began: July 2010
Term expires: June 2012

15 Patricia McConnell
Term began: July 2009
Term expires: June 2014

16 John T Smith
Term began: September 2002
Term expires: June 2012

Continued overleaf

South America

17 **Amaro Luiz de Olivera Gomes**
Term begun: July 2009
Term expires: June 2014

Board members retiring during 2010

18 **Robert P Garnett**
Appointed: April 2001
Term expired: June 2010

19 **Gilbert Gélard**
Appointed: January 2001
Term expired: June 2010

20 **James J Leisenring**
Appointed: January 2001
Term expired: June 2010

Members of the IFRS Interpretations Committee

At 31 December 2010

Name and affiliation	Term expires
Luca Cencioni Senior Accounting Manager, Eni Adfin S.p.A *Italy*	30 June 2014
Guido Fladt Partner, PricewaterhouseCoopers *Germany*	30 June 2013
Bernd Hacker Professor for Accounting, University of Applied Sciences Rosenheim *Germany*	30 June 2013
Sara York Kenny Principal Accounting Advisor (retired), International Finance Corporation *United States*	30 June 2012
Jean-Louis Lebrun Partner, Mazars *France*	30 June 2011
Feilong Li Executive Director, Executive Vice President and CFO, China Oil Services Limited *China*	30 June 2013
Takatsugu Ochi General Manager, Financial Resources Management Group, Sumitomo Corporation *Japan*	30 June 2012*
Jean Paré Vice President, Financial Reporting, Bombardier *Canada*	30 June 2014
Joanna Perry Company Director and Current Chair, Financial Reporting Standards Board *New Zealand*	30 June 2014
Ruth Picker Global IFRS Leader, Ernst & Young *United Kingdom*	30 June 2012
Laurence Rivat Partner, Deloitte & Associés (France) *France*	30 June 2012
Margaret M (Peggy) Smyth Vice President, Finance and Chief Financial Officer, Hamilton Sundstrand, a United Technologies Company *United States*	30 June 2014
Scott Taub Managing Director, Financial Reporting Advisors, LLC, United States, and former Acting Chief Accountant and Deputy Chief Accountant, U.S. Securities and Exchange Commission *United States*	30 June 2014
Andrew Vials Partner, KPMG LLP *United Kingdom*	30 June 2013

Non-voting Chair

Robert P Garnett
Former Member, International Accounting Standards Board

Official Observers

European Commission

The International Organization of Securities Commissions

* Mr Ochi is to become a member of the IASB as of 1 July 2011; as a result, he will cease his Committee membership at that date.

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Members of the IFRS Advisory Council

At 31 December 2010

CHAIR	VICE-CHAIR
Paul Cherry Consultant, Paul Cherry Professional Corp, former Chair, Canadian Accounting Standards Board	Charles Macek Non-executive Director, Wesfarmers Ltd; former Chairman, Australian Financial Reporting Council
	Patrice Marteau Chairman, ACTEO and Chairman Accounting Committee, Business Europe

Represented body	Name	Occupation
Associated Chambers of Commerce of India/The Stock Exchange, Mumbai	Narendra Sarda	Chairman, Deloitte Haskins Sells & Affiliates, India
Association of British Insurers/ Investment Management Association	Liz Murrall	Director, Corporate Governance and Reporting, Investment Management Association
Basel Committee on Banking Supervision	Sylvie Matherat	Deputy Director General, Directorate General Operations, 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, J.P. Morgan Securities LLC
European Securities and Markets Authority	Richard Thorpe	Accounting and Audit Policy Sector Leader, Head of Accounting, Audit & Reporting Department
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 Osnoss	Global Managing Director—IFRS Clients & Markets, Partner, Deloitte Touche Tohmatsu Limited
European Central Bank	Mauro Grande	Director, General Financial Stability
European Financial Reporting Advisory Group	Françoise Flores	Chairman and CEO
European Insurance and Reinsurance Federation	Jacques Le Douit	Accounting Research and Development Senior Director, AXA

Represented body	Name	Occupation
EuropeanIssuers/ 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	Senior Vice President and Controller, Bell Canada Enterprises
Financial Executives International (US), Committee on Corporate Reporting	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. Liesel Knorr, Germany (for 2010)	President, German Accounting Standards Board (GASB)
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	CFO Wealth Management & Swiss Bank, UBS AG
International Actuarial Association	Francis Ruygt	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	Michel Colinet	Coordinator, Belgian Banking, Finance and Insurance Commission
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
	Alexsandro Broedel Lopes	Commissioner Securities and Exchange Commission of Brazil
Investment Company Institute (USA)	Donald J Boteler	Vice President, Operations
Investors' Technical Advisory Committee (USA)	Neri Bukspan	Executive Managing Director – Chief Quality Officer and Chief Accountant, Standard & Poor's
Korea Accounting Standards Board	Chanhong Kim	Vice Chairman
KPMG	Mark Vaessen	Global IFRS Network Leader
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	John Hitchins	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 Africa
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 IFRS Foundation

At 31 December 2010

1 **Tom Seidenstein**
Chief Operating Officer

2 **Michael Butcher**
Editorial Director

3 **Mark Byatt**
Director of Corporate Communications

4 **Miranda Corti**
Director of Finance and Resources

5 **Ken Creighton**
Director of IFRS Content Services

6 **Olivier Servais**
Director of XBRL Activities

7 **Mike Wells**
Director of IFRS Education Initiative

Senior staff of the IASB

At 31 December 2010

1 **Peter Clark**
Director of Research

2 **Sue Lloyd**
Director of Capital Markets

3 **Michael Stewart**
Director of Implementation Activities

4 **Alan Teixeira**
Director of Technical Activities

5 **Wayne Upton**
Director of International Activities

3 Financials

Management Report

The primary objective of the IFRS Foundation is 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, which are developed by the Foundation through its standard-setting body the International Accounting Standards Board (IASB), 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 information make economic decisions.

The Foundation is responsible for the oversight, administration, operational support and finances of the IASB, as well as the selection of the members of the IASB and its various advisory bodies, including the IFRS Advisory Council and the IFRS Interpretations Committee. The Foundation also undertakes activities aimed at promoting the use and rigorous application of IFRSs. This includes the management of content services, eXtensible Business Reporting Language (XBRL) and educational programmes.

2010 financial results

As of 31 December 2010, the Foundation's net assets stood at £7.7 million, a decrease from £9.7 million at year-end 2009. The Trustees of the Foundation, who approve the budget of the Foundation in consultation with the Monitoring Board, expected the deficit in 2010. Their willingness to support the deficit in financing was made on the basis that:

- some of the expenditure, including the addition of a fifteenth IASB member for a full year, was mandated by changes in the Foundation's Constitution;
- an expansion of technical staff resources, with accompanying administrative support, was required to advance the convergence work programme with the US national standard-setter, the Financial Accounting Standards Board (FASB);
- extensive international travel was warranted as part of an enhanced outreach programme being implemented by the IASB; and
- the Foundation would return to budgetary balance for the year 2011.

The Foundation's financial statements are presented in accordance with IFRSs. The following is a discussion of the highlights of the activities and financial position of the Foundation as presented in the accompanying audited financial statements.

Overview

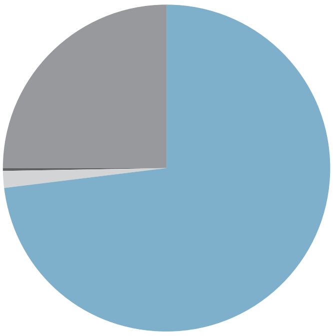
- Total income from all activities remained relatively flat, increasing to £22.8 million in 2010 from £22.6 million in 2009. The Foundation benefited from small increases in contributions (from £16.58 million in 2009 to £16.64 million in 2010) and publication and related revenues (from £5.7 million in 2009 to £5.8 million in 2010). Owing to a lower interest rate and a general reduction of surplus funds, interest revenues decreased by £106,000 to £271,000 in 2010.
- Consistent with the agreement of the Trustees described above, total expenses before changes in fair value, exchange gains (losses) and taxes (UK corporation) were £24.1 million in 2010, an increase of 5 per cent from £23.0 million in 2009.
- When accounting for changes in fair value, exchange losses and taxes, the Foundation finished the year with a loss of £2 million in 2010, compared with a gain of £647,000 in 2009.

The following charts show the sources of operating income and Foundation expenses before changes in fair value, exchange gains (losses) and taxes (UK corporation).

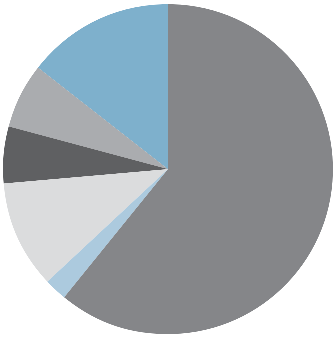
2009

SOURCES OF OPERATING INCOME	£'000
Contributions	16,584
Interest income	377
Other income	34
Revenue of publications and related activities	5,654
TOTAL	22,649

Salaries, wages and benefits	14,000
Trustees' fees	506
Cost of meetings, associated travel and accommodation	2,441
Accomodation	1,285
Other costs	1,464
Direct cost of publications and related activities	3,260
TOTAL	22,956



2009 SOURCES OF INCOME IN PER CENT

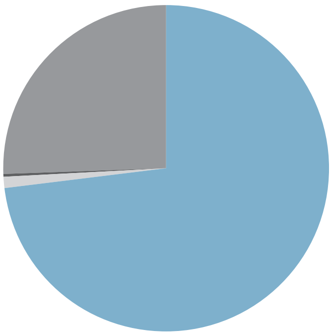


2009 SOURCES OF EXPENSES IN PER CENT

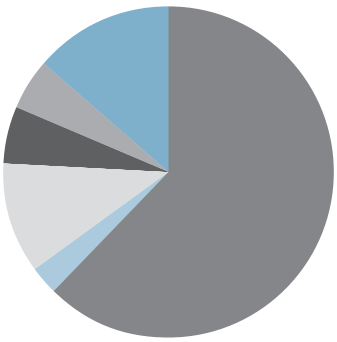
2010

SOURCES OF OPERATING INCOME	£'000
Contributions	16,640
Interest income	271
Other income	58
Revenue of publications and related activities	5,804
TOTAL	22,773

Salaries, wages and benefits	15,089
Trustees' fees	639
Cost of meetings, associated travel and accommodation	2,629
Accomodation	1,319
Other costs	1,221
Direct cost of publications and related activities	3,246
TOTAL	24,143



2010 SOURCES OF INCOME IN PER CENT



2010 SOURCES OF EXPENSES IN PER CENT

Income

The Foundation receives income from the following four sources:

- contributions (primarily through national funding regimes and, to a lesser extent, voluntary contributions);
- revenues from sales of publications and related activities in support of IFRSs (including conferences and educational programmes);
- interest income from reserve funds; and
- other income, primarily honoraria received for speeches.

Contributions

The Foundation remains committed to establishing a financing regime **that maintains the independence of the standard-setting process, while providing organisational accountability.** There has been a gradual evolution of the contributions basis. At the outset, the Foundation was financed through voluntary contributions by some 200 organisations. Some observers have raised concerns about this partial dependence on voluntary contributions. One concern expressed by some was that the temptation might exist to give important financial supporters special consideration in the standard-setting process. Conversely, there were suggestions that supporters, dissatisfied with the outcome of a rigorous standard-setting process, might withdraw funding and disrupt the IASB's work. While neither of these concerns materialised in practice, there was a sense that dependence on voluntary contributions from largely private sources was inappropriate for an organisation acting in the public interest and could deprive the organisation of necessary resources in the future.

Since 2006 the Trustees have sought to introduce national financing regimes proportionate to a country's relative GDP, that establish a levy on companies or provide an element of publicly supported financing. Now the majority of the Foundation's finances are based on such regimes, an approach that has been particularly successful in Asia/Oceania and Europe, with continued advancement to these regimes evident in 2010. This funding is described in full on page 60 of this annual report.

In 2010 the establishment of new regimes in some countries, including Brazil and Singapore, was offset by some attrition of funding in other countries [including Germany, Sweden, and the United States]. This explains why the level of funding remained relatively flat in 2010.

Publications and related activities

The Foundation provides licences and copyright waivers for jurisdictions adopting IFRSs. It is the firm belief of the organisation that copyright should not be an impediment to the adoption and use of IFRSs. At the same time, protection of the copyright is essential for ensuring the consistency of application of IFRSs. Furthermore, the Foundation benefits from the sales of publications and licence fees to those parties wishing to have access to the range of IFRS-related materials.

Publications and related revenues grew to £5.8 million in 2010 from £5.7 million in 2009. The Foundation is seeing a greater reliance on licensing fees, as more countries and professional organisations are seeking to have access to IFRSs in electronic format. The management team expects to see steady revenue growth in this area.

Expenses

Total expenses before changes in fair value, exchange gains (losses) and taxes (UK corporation) were £24.1 million in 2010, a 5 per cent increase from £23.0 million in 2009. The primary drivers of increased expense are additional IASB members and increased staff remuneration, Trustee fees and travel costs.

- Salaries, wages and benefits for IASB members and staff increased to £15.1 million in 2010 from £14.0 million in 2009. The main cause for this increase was the appointment of a fifteenth IASB member, as required by the Foundation's Constitution. In 2010, the total cost for 14.8 full-time IASB members (2009: 14.0 full-time members) amounted to £6,759,000 (2009: £6,269,000).
- Trustee fees increased to £639,000 in 2010 from £506,000 in 2009. The Trustees are remunerated by annual and meeting fees and are reimbursed for the expenses of their travel on IFRS Foundation business. With the support of the Monitoring Board, the Trustees granted Tommaso Padoa-Schioppa an annual fee of £200,000, which represented an increase of £75,000. This was a reflection of the greater time commitment demanded of the Chair role.
- The increase in travel costs (£2.6 million in 2010 from £2.4 million in 2009) is a result of increased outreach-related activities conducted by the IASB. Costs associated with IASB consultations increased to £728,000 in 2010 from £560,000 in 2009.

2011 outlook

The financial outlook for 2011 is improving. The Foundation expects to keep within a balanced budget, while not cutting back any of the services that it provides. The improved financial position will be primarily achieved through an increase in funding through new financing regimes. The status of these funding regimes, including new ones for the European Union as a whole, the United States, and parts of Africa and Asia, is explained on pages 61-63.

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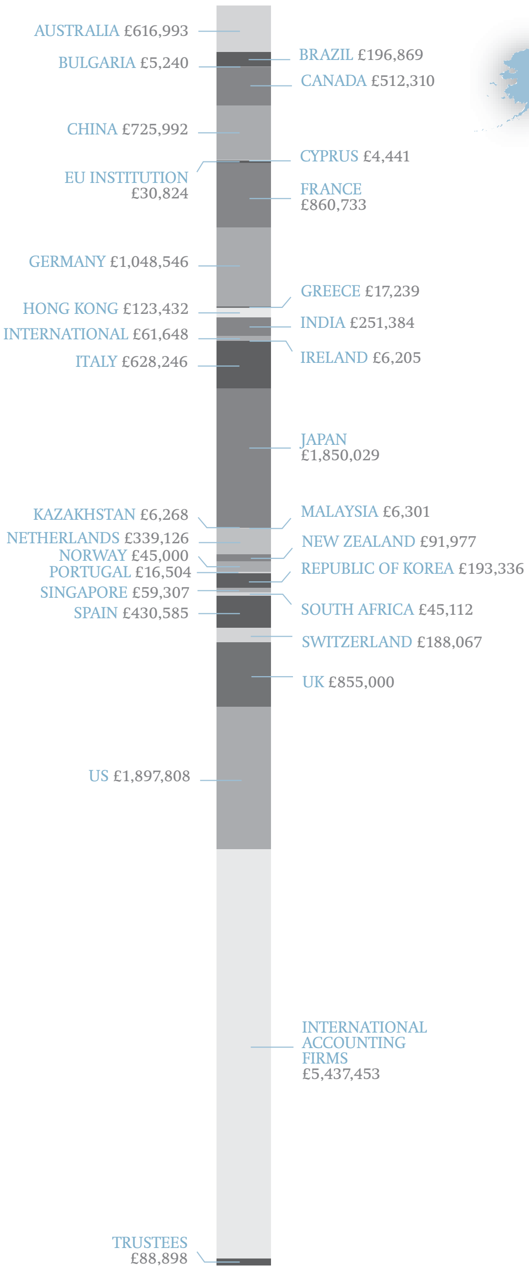
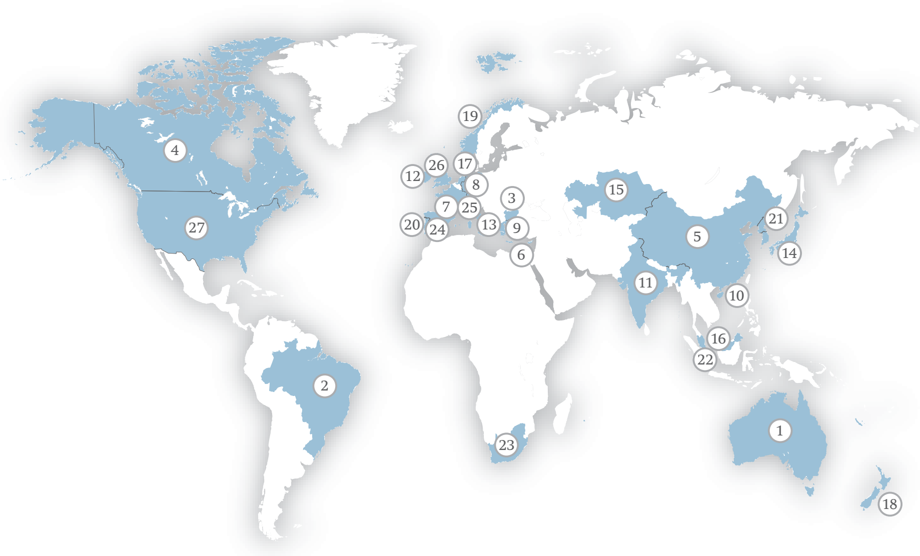
2010 financial supporters

Chart showing country donation in £s



World map showing donations by country



Key:

1 Australia	10 Hong Kong	19 Norway
2 Brazil	11 India	20 Portugal
3 Bulgaria	12 Ireland	21 Republic of Korea
4 Canada	13 Italy	22 Singapore
5 China	14 Japan	23 South Africa
6 Cyprus	15 Kazakhstan	24 Spain
7 France	16 Malaysia	25 Switzerland
8 Germany	17 The Netherlands	26 UK
9 Greece	18 New Zealand	27 US

2010 Financial supporters (amounts translated into sterling on date received)

Country	Organisation
Cumulative amount raised by country appears below country name	
AUSTRALIA £616,993	
£100,000 +	Financial Reporting Council (national contribuiton)
Less than £25,000	Reserve Bank of Australia
BRAZIL £196,869	Comitê de Pronunciamentos Contábeis (national contribuiton)
BULGARIA £5,240	Bulgarian National Bank
CANADA £512,310	
£100,000 +	Canadian Institute of Chartered Accountants (national contribuiton)
Less than £25,000	Office of the Superintendent of Financial Institutions Canada

Country	Organisation	
CHINA £725,992	Through system created by the Ministry of Finance	
£50,000+	China Ministry of Finance	Shanghai Stock Exchange
	Shenzhen Stock Exchange	
£25,000 +	China Development Bank	China Petroleum & Chemical Corporation
	PetroChina Company Limited	
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	

Country	Organisation	
CYPRUS £4,441	Central Bank of Cyprus	
EU INSTITUTION £30,824	European Central Bank	
FRANCE £860,733	French Ministry of Finance	
GERMANY £1,048,546	Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V. the German standard-setting organisation	
£25,000 +	Adidas AG	Fresenius SE
	Allianz SE	Henkel KGaA
	BASF SE	Infineon Technologies AG
	Bayer AG	K+S AG
	Beiersdorf AG	Linde AG
	BMW AG	Merck KGaG
	Commerzbank AG	METRO AG
	Daimler AG	Münchener Rück
	Deutsche Bank AG	Robert Bosch GmbH
	Deutsche Börse AG	RWE AG
	Deutsche Post AG	SAP AG
	Deutsche Telekom AG	Siemens AG
	E.ON AG	ThyssenKrupp AG
	Evonik Industries AG (RAG AG)	Volkswagen AG

Country	Organisation	
GERMANY continued Less than £25,000	Aareal Bank AG	Fraport AG
	Aixtron AG	Fuchs Petrolub AG
	Alstria Office	Gagfah
	Altana AG	Generali Deutschland Holding AG (vormals AMB)
	Amadeus Fire AG	Gerresheimer AG
	Axel Springer AG	Grammer AG
	Balda AG	Hannover Rück
	Bauer AG	HeidelbergCement AG
	Bilfinger Berger AG	Heidelberger Druckmaschinen AG
	Continental AG	Hornbach Holding AG
	CropEnergies AG	HSBC Trinkaus & Burkhardt
	D.Logistics AG	HSH Nordbank AG
	DAB Bank AG	Hypo Real Estate Holding AG
	DekaBank	KfW Bankengruppe
	Demag Cranes	Landesbank Baden-Württemberg
	Deutsche Beteiligungs AG	Landesbank Hessen-Thüringen
	Deutsche Lufthansa AG	Lanxess AG
	Deutsche Postbank AG	Lloyd Fonds AG
	Dürr AG	MTU Aero Engines Holding AG
	Epcos AG	MVV Energie AG
	Epigenomics AG	Nordex AG
	Fielmann AG	Praktiker Bau- und Heimwerkermärkte
	Progress-Werk Oberkirch AG	Südzucker AG
	Qiagen GmbH	TA Triumph-Adler AG
	QSC AG	TAKKT AG
	Sal. Oppenheim	TUI AG
	Salzgitter AG	WireCard AG
	SGL Carbon AG	

Country	Organisation	
GREECE £17,239	Bank of Greece	
HONG KONG £123,432		
£50,000 +	Hong Kong Exchanges & Clearing Ltd.	
£25,000 +	Hong Kong Securities and Futures Commission	
Less than £25,000	Hong Kong Monetary Authority	
INDIA £251,384	Contributions made through Stock Exchanges	
£100,000 +	National Stock Exchange of India Limited	Bombay Stock Exchange Limited
INTERNATIONAL £61,648	Bank for International Settlements	
IRELAND £6,205	Central Bank & Financial Services Authority of Ireland	
ITALY £628,246	Organismo Italiano de Contabilita (national contribuiton)	
JAPAN £1,850,029	Levy-like system operated by the Financial Accounting Standards Foundation	
KAZAKHSTAN £6,268	National Bank of Kazakhstan	
MALAYSIA £6,301	Bank Negara Malaysia	
NETHERLANDS £339,126		
£100,000 +	Ministry of Finance (national contribution)	
Less than £25,000	De Nederlandsche Bank	
NEW ZEALAND £91,977	Accounting Standards Review Board on behalf of New Zealand stakeholders	
NORWAY £45,000	Norsk RegnskapsStiftelse	
PORTUGAL £16,504	Banco de Portugal	

Country	Organisation	
REPUBLIC OF KOREA £193,336	Contributions organised through Korea Accounting Standards Board	
£25,000 +	Samsung Electronics	
Less than £25,000	Deloitte Anjin	Samjong Accounting Corporation
	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
	Kookmin Bank	S-Oil Corporation
	Korea Electric Power	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
SINGAPORE £59,307		
£50,000	Ministry of Finance (national contribuiton)	
Less than £25,000	Monetary Authority of Singapore	
SOUTH AFRICA £45,112	Financing organised by the South African Institute of Chartered Accountants	
SPAIN £430,585		
£100,000 +	Bolsas y Mercados Españoles (national contribuiton)	
Less than £25,000	Banco de España	

Country	Organisation	
SWITZERLAND £188,067		
£50,000 +	Swiss Bankers Association	SwissHoldings
Less than £25,000	Panalpina Welttransport (Holding) AG	Swiss National Bank
UNITED KINGDOM £855,000	Levy system organised by Financial Reporting Council	
UNITED STATES OF AMERICA £1,897,808		
£100,000 +	Bank of America	IBM
	Citigroup	J P Morgan Chase
	Goldman Sachs Group Inc	Morgan Stanley
£50,000 +	Capital Group Companies	Moodys
	CFA Institute	Oracle
	Cisco	Pfizer Inc
	ExxonMobil	TIAA-CREF
	General Electric Company	Verizon
	Microsoft Corp	
£25,000 +	Board of Governors of the US Federal Reserve System	General Motors
	Coca-Cola Company (The)	PepsiCo
	ConocoPhillips	Procter & Gamble
Less than £25,000	DuPont	State Street Corporation
	Merck & Co Inc	United Technologies

International Accounting Firms		
£5,437,453		
(US$2 million each)	Deloitte	KPMG
	Ernst & Young	PricewaterhouseCoopers
£50,000 +	Mazars (US$100,000)	Grant Thornton (US$150,000)
	BDO (Brussels Worldwide Services bvba (US$150,000)	

Trustees	
£88,898	3 Trustees waived their fees, which have been accounted as contributions

Expected financing for 2011

Country/type of contributor	Organised by	Arrangements and latest status	Anticipated amount in local currency*	Anticipated sterling amount at 31 December 2010 exchange rate
EUROPE				
EUROPEAN UNION				
European Union	European Commission	Direct payment from EU budget on behalf of the European Union on an annual basis through 2013	€4,250,000	3,658,180
EU member states	National contributions to supplement EU-wide contribution	Systems organised by Bolsa y Mercados Españoles, the French Ministry of Finance, German Accounting Standards Committee, Netherlands Ministry of Finance, Organismo Italiano de Contabilita and UK Financial Reporting Council	€380,000 €750,000 €500,000 €36,000 £900,000	2,334,006
National contributions may rise depending upon continued discussions.				
NON-EU				
Switzerland	Swiss Business Associations	Contributions collected by Swiss business associations	US$98,000 CHF175,000	183,626
Norway	Funding through Norsk Regnskapsstiftlse (Norwegian standard-setter)	Direct contribution on behalf of Norway	£45,000	45,000

The amounts shown in the column 'Anticipated amount in local currency*' are rounded to the nearest thousand.
* Subject to change due to ongoing efforts and based upon best estimates.

Country/type of contributor	Organised by	Arrangements and latest status	Anticipated amount in local currency*	Anticipated sterling amount at 31 December 2010 exchange rate
AMERICAS				
United States	Individual companies and organisations	Contribution by the Financial Accounting Foundation and voluntary system; further discussions with US ongoing	US$3,430,000	2,209,525
Canada	Canadian Institute of Chartered Accountants (the body that houses the Canadian standard-setter)	Direct contribution on behalf of Canada	CAN$800,000 US$15,000	526,552
Brazil	Comité de Pronunciamentos Contábeis and BNDES	Direct contributions on behalf of Brazil	US$305,000 £200,000	396,784
ASIA/OCEANIA				
Japan	Financial Accounting Standards Foundation	Levy-like system for Japanese companies	US$2,800,000	1,803,694
China, excluding Hong Kong SAR	China Accounting Standards Committee, Ministry of Finance	Contributions arranged by the Ministry of Finance	US$1,315,000	847,092
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	655,261
Korea	Korea Accounting Standards Board	Contributions arranged by the Korea Accounting Standards Board	US$700,000	450,925
India	Major stock exchanges	Direct contributions on behalf of India	US$400,000	257,671
Hong Kong SAR, China	Hong Kong securities regulator and monetary authority and stock exchange	Direct contributions on behalf of Hong Kong	US$195,000	125,614
New Zealand	Accounting Standards Review Board	Direct contribution on behalf of New Zealand	NZ$200,000	100,088

The amounts shown in the column 'Anticipated amount in local currency*' are rounded to the nearest thousand.
* Subject to change due to ongoing efforts and based upon best estimates.

Country/type of contributor	Organised by	Arrangements and latest status	Anticipated amount in local currency*	Anticipated sterling amount at 31 December 2010 exchange rate
ASIA/OCEANIA continued				
Singapore	Monetary Authority of Singapore and Ministry of Finance	Direct contribution on behalf of Singapore	US$15,000 £50,000	59,663
Malaysia	Malaysian Accounting Standards Board	Direct contribution on behalf of Malaysia	US$65,000	41,871
Funding efforts are proceeding in other countries in the Asia/Oceania region.				
AFRICA				
South Africa	Financial Reporting Council	Contribution raised through levies	US$70,000	45,092
Nigeria	Nigerian Accounting Standards Board	Direct contribution on behalf of Nigeria	US$100,000	64,418
CENTRAL BANKS AND INTERNATIONAL ORGANISATIONS				
Central banks and international organisations	Various bodies	Contributions on behalf of central banks	US$379,000 £29,000 €5,000	277,124
INTERNATIONAL ACCOUNTING FIRMS				
Deloitte, Ernst & Young, KPMG and Pricewaterhouse Coopers	Direct payments	Voluntary contributions	US$2,250,000 each	5,797,587
BDO and Grant Thornton	Direct payments	Voluntary contributions	US$150,000 each	193,253
Mazars	Direct payments	Voluntary contributions	US$100,000	64,418
OTHER SOURCES OF INCOME				
The IFRS Foundation also receives additional funding to finance its standard-setting and XBRL activities through its publications, educational and related activities.				

The amounts shown in the column 'Anticipated amount in local currency*' are rounded to the nearest thousand.
* 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 Financial Reporting Standards Foundation for the year ended 31 December 2010, 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.

This report is made solely to the Foundation's Trustees, as a body, in accordance with our engagement letter to you and for no other purpose. Our audit work has been undertaken so that we might state to the Foundation's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Foundation and the Foundation's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees are responsible for the preparation of the financial statements in accordance with applicable law, the Foundation's constitution and International Financial Reporting Standards. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Foundation's constitution and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Foundation's affairs as at 31 December 2010 and of its comprehensive income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.

BDO LLP

BDO LLP
Chartered Accountants, London
31 March 2011

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	2010 £'000	2009 £'000
INCOME			
Standard-setting and related activities			
Contributions	3	16,640	16,584
Interest income		271	377
Other income		58	34
		16,969	16,995
Publications and related activities			
Revenue	4(a)	5,804	5,654
		22,773	**22,649**
EXPENSES			
Standard-setting and related activities			
Salaries, wages and benefits	5	(15,089)	(14,000)
Trustees' fees	6	(639)	(506)
Cost of meetings, associated travel and accommodation	7	(2,629)	(2,441)
Accommodation	8(a)	(1,319)	(1,285)
Other costs	9	(1,221)	(1,464)
		(20,897)	(19,696)
Publications and related activities			
Direct cost of publications and related activities	4(b)	(3,246)	(3,260)
		(24,143)	**(22,956)**
LOSS BEFORE FAIR VALUE CHANGES AND EXCHANGE LOSSES		**(1,370)**	**(307)**
Changes in fair value of financial instruments	10(d)	(4)	2,966
Exchange losses		(637)	(2,072)
(LOSS) PROFIT BEFORE TAX		**(2,011)**	**587**
Income tax (expense) credit	11	(13)	60
COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	12	(2,024)	647

The notes on pages 68 to 78 form part of these financial statements.

Statement of financial position

AS AT 31 DECEMBER	Notes	2010 £'000	2009 £'000
ASSETS			
Current assets			
Cash and cash equivalents	10(a)	2,360	3,123
Accrued interest receivable on bonds		162	168
Contributions receivable	3	1,150	1,068
Trade and other receivables	10(c)	934	910
Prepaid expenses		585	567
Inventories	13	293	138
Bonds	10(b)	1,199	1,528
		6,683	7,502
Non-current assets			
Bonds	10(b)	4,784	6,055
Leasehold improvements, furniture and equipment	8(b)	539	593
		5,323	6,648
TOTAL ASSETS		12,006	**14,150**
LIABILITIES			
Current liabilities			
Trade and other payables		948	665
Accrued expenses		1,260	1,320
Contributions received in advance	3	-	49
Rent incentive		82	82
Publications revenue received in advance		651	809
Forward currency contracts at fair value	10(d)	241	355
		3,182	3,280
Non-current liabilities			
Forward currency contracts at fair value	10(d)	154	93
Reinstatement provision	8(c)	413	413
Rent incentive		550	633
		1,117	1,139
TOTAL LIABILITIES		4,299	**4,419**
NET ASSETS	12	7,707	**9,731**

The notes on pages 68 to 78 form part of these financial statements.

The financial statements on pages 65 to 78 were approved by the Trustees of the IFRS Foundation on 31 March 2011 and authorised for issue on 31 March 2011.

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

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

Statement of cash flows

YEAR ENDED 31 DECEMBER	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
OPERATING ACTIVITIES					
Cash received					
Contributions		16,509		15,673	
Interest		317		384	
Publications and related activities		5,524		5,293	
Income taxes received (paid)		46		(45)	
Other receipts		53		36	
Cash paid					
Salaries, wages and benefits		(15,111)		(14,001)	
Publications direct costs		(3,412)		(3,239)	
Trustees' fees		(494)		(519)	
Foreign exchange settlements		(639)		(2,075)	
Other expense		(4,860)		(4,802)	
NET CASH FROM OPERATING ACTIVITIES			(2,067)		(3,295)
INVESTING ACTIVITIES					
Purchase of bonds		-		(1,380)	
Matured bonds receipts		1,504		1,335	
Purchase of leasehold improvements, furniture and equipment		(202)		(188)	
NET CASH INCREASES (DECREASES) FROM INVESTING ACTIVITIES			1,302		(233)
Effects of exchange rate changes on cash and cash equivalents			2		4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			(763)		(3,524)
Cash and cash equivalents at beginning of period			3,123		6,647
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10(a)		2,360		3,123

The notes on pages 68 to 78 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 Financial Reporting Standards Foundation (IFRS Foundation) is a not-for-profit charitable organisation with its primary operations based in London. During the year, the organisation changed its name from the International Accounting Standards Committee Foundation.

The objectives of the IFRS 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 information 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.

(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 IFRS 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 comprising 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 IFRS 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 IFRS 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 the development and maintenance of an IFRS Extensible Business Reporting Language (XBRL) taxonomy.

(b) Contributions

Contributions are recognised as revenue in the year designated by the contributor. Provided they can be reliably measured, donated services that would normally have otherwise been purchased are recognised in the financial statements based on their estimated value. Where donated services would not be purchased or cannot be measured with sufficient reliability, and are not recognised in the financial statements but disclosure of the nature and scale of the services received would help the user gain a better understanding of activities, disclosures are in the accompanying information.

(c) Publications and related revenue

Subscriptions to the IFRS 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 five years, except computer equipment, which is depreciated over three years.

(f) Foreign currency transactions
The IFRS 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 IFRS 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 IFRS Foundation has transferred substantially all risks and rewards of ownership.

The IFRS 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 IFRS 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 IFRS 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 IFRS 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 IFRS 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 2010, except for that explained below. The IFRS 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 adopted in 2009. It was issued in November 2009 and is required to be applied after 1 January 2013. The presentation of the IFRS 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.

- Per diem expenses for IASB members are included in Salaries, Wages and Benefits in note 5. The prior year amount of £391,000 was included in Cost of Meetings, Associated Travel and Accommodations. This change was made because per diem expense payments for IASB members were eliminated during the year and are now paid as an element of IASB members' remuneration as disclosed in note 5.
- Marketing and promotion expenses are included in Other Costs in note 9. The prior year amount of £3,000 has been reclassified from the line item Other to External relations.

3. Contributions

Since 2006, the Trustees have sought to establish national financing regimes, proportionate to a country's relative GDP, that establish a levy on companies or provide an element of publicly supported financing. Currently, the majority of the Foundation's finances is based on such regimes, and this approach has been particularly successful in Asia-Oceania and Europe. However, voluntary systems remain in place in some jurisdictions; some countries contribute less than their fair share or not at all. The Trustees are actively working to achieve further contributions.

Through the national and other financing arrangements, the IFRS Foundation received funds of £16,640,000 in contributions (2009: £16,584,000).

There were no contributions received before 31 December 2010 (2009: £49,000) that were specifically designated by the contributors for use by the IFRS Foundation in subsequent years. Contributions received or confirmed after 31 December 2010, amounting to a total of £1,150,000 (2009: £1,068,000), specifically designated by the contributors for use by the IFRS Foundation in 2010, were recognised as revenues at the end of 2010 and included as contributions receivable.

Using the IFRS Foundation's website, the Trustees are informing interested parties of their progress on establishing broad-based funding regimes throughout the world.

4. Publications and related activities

(a) Publications and related revenue

	2010 £'000	2009 £'000
Sales of subscriptions and publications	3,641	3,751
Royalties and permission fees	1,862	1,640
Other related activities	301	263
TOTAL	5,804	5,654

(b) Publications and related costs

	2010 £'000	2009 £'000
Staff/employee related costs	1,569	1,527
Costs of goods sold	514	475
Depreciation	28	26
Other costs	1,135	1,232
TOTAL	3,246	3,260

5. Salaries, wages and benefits

The IFRS Foundation had an average of 119 employees (including IASB members and interns) during 2010 (2009: 114).

	2010		2009	
	£'000	£'000	£'000	£'000
Staff costs, including IASB members' salaries and other costs	14,360		13,245	
Contributions to defined contribution pension plans	693		652	
Other costs	36		103	
		15,089		14,000
Staff costs included in publications direct expenses (see note 4)				
Salaries and other costs	1,463		1,437	
Contributions to defined contribution pension plans	91		84	
Other costs	15		6	
		1,569		1,527
TOTAL		16,658		15,527

The Trustees' Human Capital Committee is responsible for reviewing, benchmarking and making recommendations on salary and benefit levels. These recommendations are reviewed and approved annually by the Trustees as a whole. 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 2010, the total cost for 14.8 full-time equivalents (2009: 14.0 full-time equivalents) IASB members amounted to £6,759,000 (2009: £6,269,000). In July 2010, effective for October 2010, the Trustees approved the following remuneration budgets: £553,350 (includes per diem allowance) per year for the IASB Chair (2009: £493,990, excludes per diem allowance) and £457,950 (includes per diem allowance) per year for full-time members (2009: £401,370, excludes per diem allowance).

6. Trustees' fees

The Trustees are remunerated by annual and meeting fees and are reimbursed for the expenses of their travel on IFRS Foundation business; there were 21 Trustees in 2010 (2009: 22). In 2010 the fee for the Chair of the Trustees was £137,500 (2009: £75,000). In 2010, the Chair waived fees of £37,500 (2009: £75,000) and it was included as a contribution. The annual fee for the other Trustees was £12,500 (2009: £12,500). Trustees received an attendance fee of £1,000 (2009: £1,000) for each formal meeting.

7. Cost of meetings, associated travel and accommodation

MEETING TYPE	2010 £'000	2009 £'000
IASB	407	544
Trustees	536	359
IFRS Interpretations Committee and IFRS Advisory Council	401	314
Financial Crisis Advisory Group	13	218
Other advisory meetings	544	446
Travel for other consultation and liaison	728	560
TOTAL	2,629	2,441

8. Accommodation and other assets

(a) Accommodation expenses

	2010 £'000	2009 £'000
Rent	696	700
Service charges	205	205
Rates, insurance and energy	439	438
Depreciation	185	150
Other	33	29
	1,558	1,522
Less amounts included in publications costs	(239)	(237)
TOTAL	1,319	1,285

(b) Leasehold improvements, furniture and equipment

2010	Leasehold improvements £'000	Furniture, equipment £'000	2010 TOTAL £'000
COST			
At 1 January 2010	1,028	1,073	2,101
Additions	-	132	132
Disposals/retirements	-	(62)	(62)
At 31 December 2010	1,028	1,143	2,171
ACCUMULATED DEPRECIATION			
At 1 January 2010	742	766	1,508
Charge for the year	35	151	186
Disposals/retirements	-	(62)	(62)
At 31 December 2010	777	855	1,632
NET CARRYING AMOUNT AT 31 DECEMBER 2010	251	288	539

2009	Leasehold improvements £'000	Furniture, equipment £'000	2009 TOTAL £'000
COST			
At 1 January 2009	1,028	815	1,843
Additions	-	258	258
At 31 December 2009	1,028	1,073	2,101
ACCUMULATED DEPRECIATION			
At 1 January 2009	708	651	1,359
Charge for the year	34	115	149
At 31 December 2009	742	766	1,508
NET CARRYING AMOUNT AT 31 DECEMBER 2009	286	307	593

At the reporting date the IFRS Foundation had no capital commitments (2009: £nil).

(c) Reinstatement provision

The IFRS Foundation has made a provision for reinstatement to cover 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.

	2010 £'000	2009 £'000
Balance at 1 January	413	413
Provision made in year	-	-
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	2010 £'000	2009 £'000
Within one year	778	778
In two to five years	3,113	3,113
More than five years	2,138	2,916
TOTAL	6,029	6,807

Since 2001 the IFRS 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

	2010 £'000	2009 £'000
Communication & Technology	445	499
Audit, legal and taxation fees	131	138
External relations	209	255
Recruitment	193	346
Others	243	226
TOTAL	1,221	1,464

10. Financial instruments

The IFRS Foundation receives contributions in a number of currencies but its expenditures are largely sterling-based. This exposes the organisation to financial risks. The 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 IFRS 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 IFRS Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. The IFRS 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 IFRS Foundation.

Interest income on cash deposits amounted to £13,000 (2009: £56,000). Due to the relatively short durations and levels of cash deposits and returns, interest rate risk is not considered significant.

			Effective interest rates	
	2010 £'000	2009 £'000	2010 %	2009 %
CASH AND BANK DEPOSITS DUE AFTER 15 DAYS IN GENEVA				
Bank sterling deposits due within 45 days	-	2,145	-	0,45
CASH AND BANK DEPOSITS DUE ON DEMAND				
Sterling	1,797	358	0.05	0,05
Euro	84	28	-	-
US dollar	479	592	-	-
TOTAL	2,360	3,123		

(b) Bonds

Bond holdings: The Trustees have invested surplus funds of the IFRS 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 IFRS 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). The maturity of the bonds is as follows:

	Nominal value 2010 £'000	Nominal value 2009 £'000	Fair value 2010 £'000	Fair value 2009 £'000
Less than one year	1,191	1,504	1,199	1,528
Total current	**1,191**	**1,504**	**1,199**	**1,528**
More than one year and less than two years	3,259	1,189	3,385	1,237
More than two years and less than three years	704	3,286	725	3,446
More than three and less than four years	658	706	674	706
More than four and less than five years	-	672	-	666
Total non-current	**4,621**	**5,853**	**4,784**	**6,055**
Total	**5,812**	**7,357**	**5,983**	**7,583**

Bonds provide a yield in the range of 0.7% to 1.9% per year.

(c) Trade and other receivables

Credit risk: In addition to its financing programme, the IFRS Foundation supplements its funding through publications and related activities. For publications and subscriptions sales the IFRS 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 IFRS Foundation does not credit check these customers before it enters into business with them.

The IFRS Foundation has no significant exposure to large or key customers: its largest customer does not exceed 3 per cent of the IFRS 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.

	2010 £'000	2009 £'000
Not yet due	895	804
Past due but not impaired	39	106
TOTAL	934	910

Where past due accounts are still unpaid six months or more after invoice date and the IFRS Foundation considers the amount impaired it provides for the amount as a bad debt provision in the financial statements. At 31 December 2010 the amount provided for was £13,000 (2009: £20,000).

(d) Currency risk

The IFRS Foundation's expenses arise largely in sterling, whereas the organisation has received funding and future financing commitments in US dollars and euro.

The Trustees have implemented a strategy to mitigate the foreign exchange fluctuations and timing risks connected with the various funding regimes. The IFRS 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.

Forward contracts US dollar

	2010 Buy £'000	2010 Sell $'000	2010 Weighted average rate	2009 Buy £'000	2009 Sell $'000	2009 Weighted average rate
2010	-	-	-	7,166	11,791	1.645
2011	7,300	11,790	1.615	4,009	6,550	1.634
2012	7,009	11,150	1.591	-	-	-
TOTAL	14,309	22,940	1.603	11,175	18,341	1.641

Forward contracts euro

	2010 Buy £'000	2010 Sell €'000	2010 Weighted average rate	2009 Buy £'000	2009 Sell €'000	2009 Weighted average rate
2010	-	-	-	1,800	2,250	1.250
TOTAL	-	-	-	1,800	2,250	1,250

The ranges of rates for the US dollar are 1.5819 – 1.6348 (2009: 1.4741 – 1.8170).

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

INCOME (CHARGE) IN STATEMENT OF COMPREHENSIVE INCOME	2010 £'000	2009 £'000
Forward foreign exchange contracts	52	3,047
Bonds	(56)	(81)
CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS	(4)	2,966

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 2010 £'000	Fair value 2009 £'000
Forward contracts expiring end of each calendar quarter of 2010	-	(355)
Forward contracts expiring end of each calendar quarter of 2011	(241)	(93)
Forward contracts expiring end of each calendar quarter of 2012	(154)	-
TOTAL	(395)	(448)

(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	22,940		
Profit and loss effect (before tax)		(1,634)	1,337

From time to time the IFRS Foundation holds US dollar funds in anticipation of US dollar liabilities. Over the year the US dollar exchange rate reached a high of 1.64 to sterling, whilst the low point was 1.43 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	737		
Profit and loss effect (before tax)		53	(43)
Euro	100		
Profit and loss effect (before tax)		9	(8)
TOTAL		62	(51)

11. Taxation

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

In 2006 the IFRS Foundation reached an agreement with the UK authorities regarding the status of taxation on its publications and related revenues. For 2010 the taxation expense is calculated on this basis and is estimated to be £13,000 (2009: a credit of £60,000). On the basis of activity for 2010 and from previous years, at the end of 2010 the IFRS Foundation is carrying forward a loss for UK tax purposes of £1,742,000 (2009: £957,000).

Consistently with IAS 12 *Income Taxes*, the IFRS 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

	2010 £'000	2009 £'000
Net assets at the beginning of the reporting period	9,731	9,084
Comprehensive income in the year net of tax	(2,024)	647
NET ASSETS AT THE END OF THE REPORTING PERIOD	7,707	9,731

13. Inventories

Inventory of books amount to £293,000 (2009: £138,000).

14. Approval of financial statements

These financial statements were approved by the Trustees of the IFRS Foundation on 31 March 2011 and authorised for issue on 31 March 2011, and at that date there were no significant events after the reporting period.

For further information about the IFRS 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@ifrs.org

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