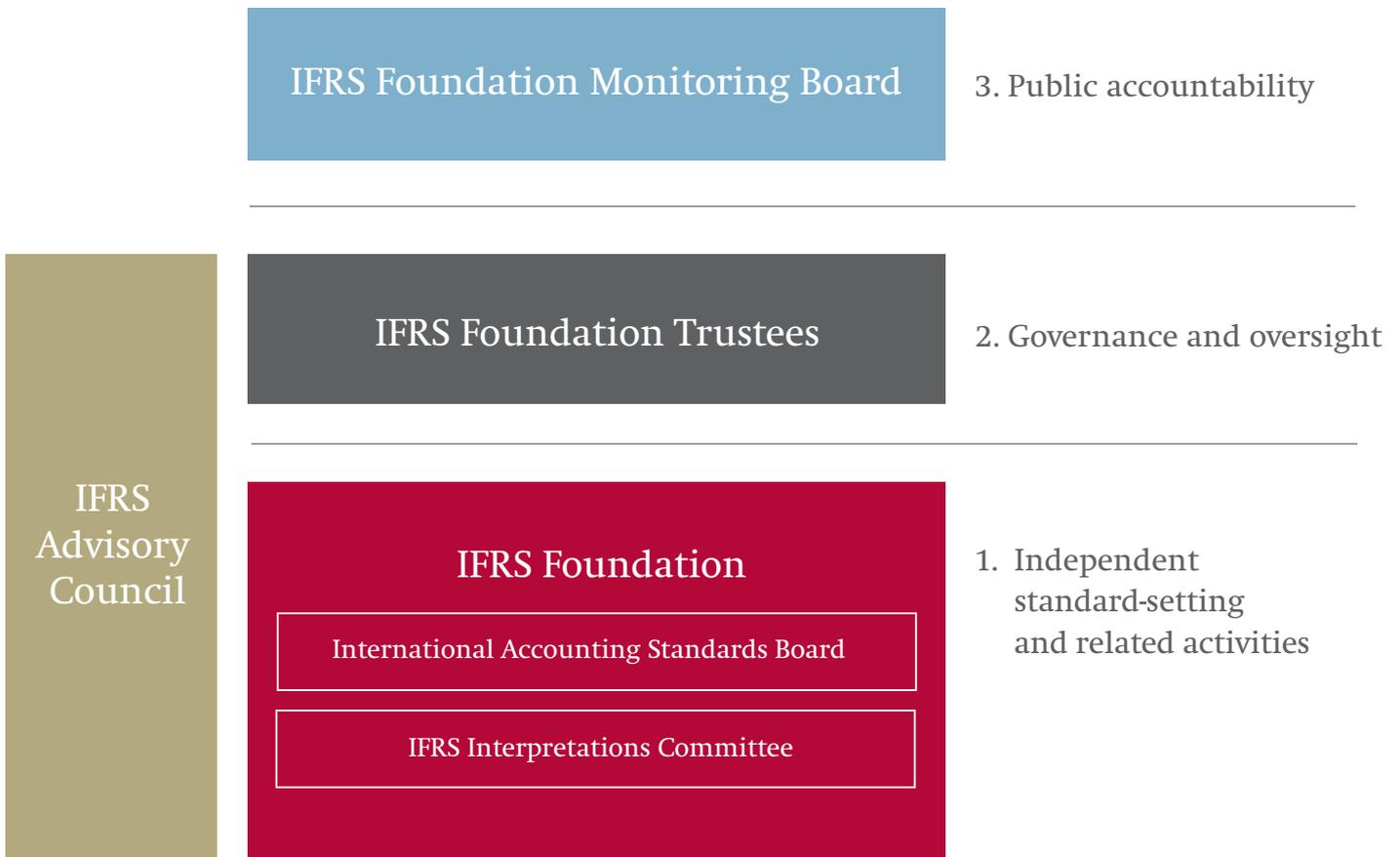


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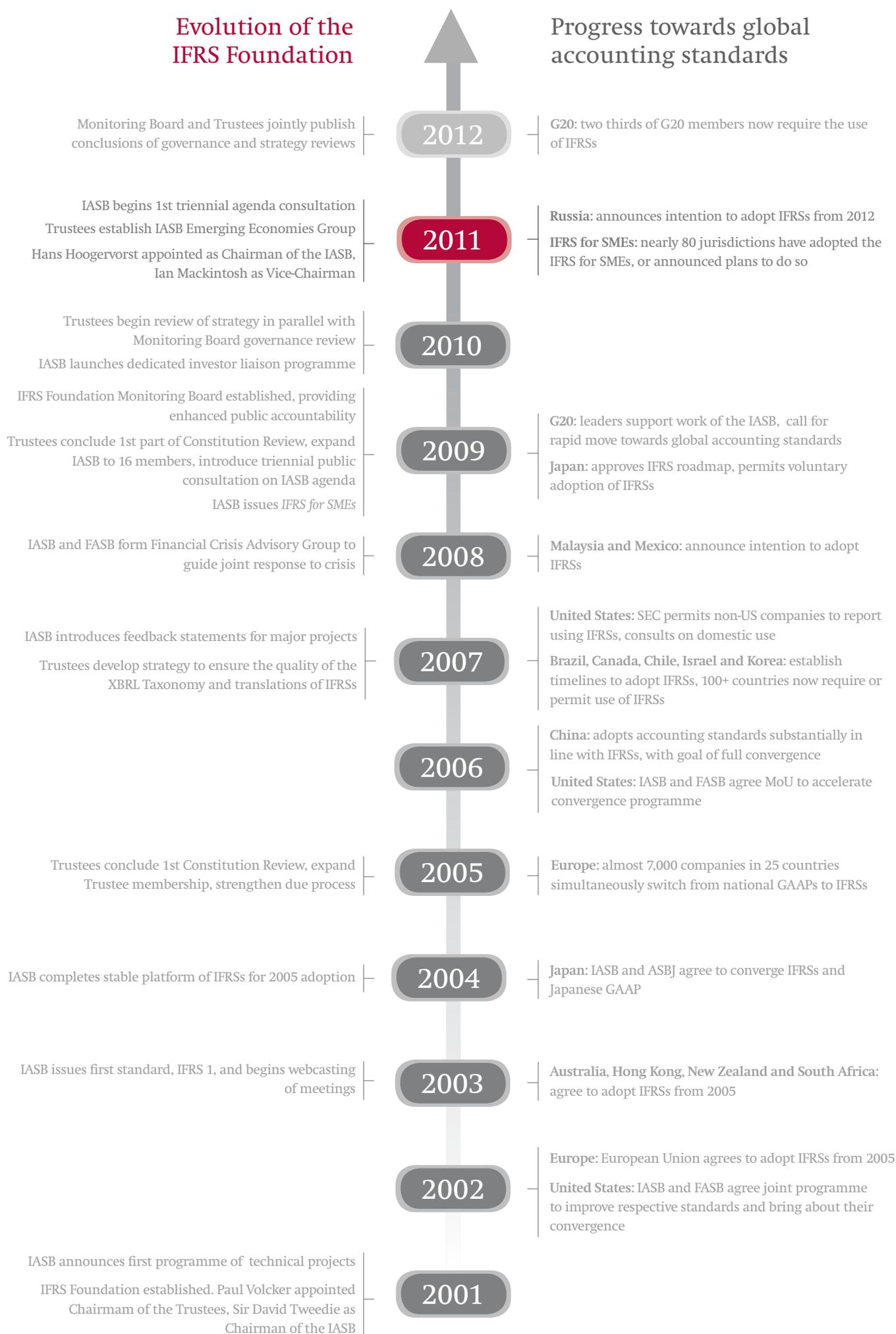
The IFRS Foundation

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



Evolution of the IFRS Foundation

Progress towards global accounting standards





IFRS Foundation Trustees' meeting, L-R: Zhongli Liu (Trustee),
Sir Bryan Nicholson (Chairman, Nominating Committee),
David Sidwell (Chairman, DPOC)

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Trustees of the IFRS Foundation

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Report of the Chairman of the IFRS Foundation Trustees

This is my first report as Chairman of the Trustees, having been appointed in January 2012. I am grateful to Aki Fujinuma and Robert Glauber for stepping in to serve as acting Co-Chairmen following the tragic and sudden death in 2010 of Tommaso Padoa-Schioppa, my friend and former Chairman of the IFRS Foundation Trustees.



MICHEL PRADA
CHAIRMAN
IFRS FOUNDATION TRUSTEES

The achievements of the last 12 months owe a great deal to the vision of Tommaso and the tenacity and determination of Aki and Bob to finalise a strategy review that sets out the steps to put this vision into effect.

My appointment brings me back to familiar ground. In 2000, as well as serving as Chairman of the *Autorité des Marchés Financiers* (the French securities regulator), I also served as Chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO) when it endorsed for cross-border listings the 'core standards' of the International Accounting Standards Committee (IASC) predecessor of the International Accounting Standards Board (IASB). That decision helped to foster the process of restructuring the part-time IASC into the IFRS Foundation and the full-time IASB that you see today. Paul Volcker became the first Chairman of the IFRS Foundation Trustees, and I am delighted to serve as the current Chairman.

The path towards global standards

Returning a decade later, the progress made toward this goal is truly remarkable—both in terms of organisation and achievement.

As an organisation, the IFRS Foundation, and with it, the IASB, has matured into a truly international organisation with world-class levels of transparency and public consultation. For example, at the last count the 59 technical staff and 15 members of the IASB came from almost 30 different countries. This is truly remarkable diversity of the kind required when developing standards that must be applied on a consistent basis around the globe.

In terms of achievement, companies in more than 100 countries are now required or permitted to use International Financial Reporting Standards (IFRSs). In the last two years alone we have seen Brazil, Canada, Korea, Mexico and Russia all adopt IFRSs. From this year, more than two thirds of the G20 members will require the use of IFRSs, with almost half of Fortune Global 500 companies now complying with IFRSs. Against any measure, these are impressive achievements in little more than 10 years.

While international competitiveness and cost effectiveness have been significant drivers of IFRS adoption, the ongoing financial crisis provides an ever present reminder of the need to achieve global acceptance of a single set of high quality accounting standards.

Each phase of the crisis has offered a further, graphic illustration of the globally interconnected nature of financial markets. That is why repeated communiqués from the G20 have supported the work of the IASB and called for a rapid move towards global accounting standards.

Completion of 2011 priorities

Against the backdrop of a decade of success, I am pleased to report that a great deal has been achieved in the last 12 months. The Trustees had identified three objectives for 2011:

1. To ensure a smooth transition in the leadership of the organisation.
2. To complete the comprehensive review of the strategy of the organisation.
3. For the Trustees' Due Process Oversight Committee (DPOC) to play a more visible and active role in the oversight of the IASB's due process.

Each of these objectives has now been met:

1. At the beginning of the year we had the vacancy of the Trustee Chairman and the impending retirement of Sir David Tweedie. In December 2011 the Trustees announced that the Monitoring Board had approved my own appointment to serve as Chairman of the Trustees from January 2012, supported by Aki

and Bob who will continue to serve as our two Vice-Chairmen. Meanwhile, in July 2011

Hans Hoogervorst succeeded Sir David Tweedie as Chairman of the IASB, with Ian Mackintosh serving as his Vice-Chairman. I believe that the transition in leadership has been handled very effectively. My thanks go to Sir Bryan Nicholson as Chairman of the Trustees' Nominating Committee for his work in this area.

2. During 2011, the Trustees undertook a substantial review of their future strategy, working in close co-operation with the Monitoring Board as it completed its own review of governance arrangements. Both the Monitoring Board and the Trustees consulted widely throughout 2011, publishing proposals and preliminary conclusions for public comment while conducting public round-table discussions around the world. The conclusions of both reviews were published jointly in February 2012. Much of the credit for the successful and co-ordinated effort should go to the Acting Co-Chairmen of the Trustees and to Masa Kono, Acting Chairman of the Monitoring Board.

The Trustees support the conclusions of the Monitoring Board governance review and are taking steps to ensure

that those recommendations that are relevant to the Trustees are implemented in a timely manner.

3. Under the Chairmanship of David Sidwell, the Trustees' Due Process Oversight Committee (DPOC) has continued to deepen its oversight and interaction with the IASB throughout the life cycle of the standard-setting process. The report of the Chairman of the DPOC is included as a separate section of this Annual Report. David has been a tireless leader of this important Committee and I am delighted that Scott Evans has agreed to act as his Vice-Chairman.

Priorities for 2012

Attention now turns to our priorities for the coming year. These priorities fall naturally out of the recommendations from the governance and strategy reviews and follow three broad themes.

1. Further enhancements to transparency and clearer separation of standard-setting and governance activities

The Trustees, through the DPOC, will complete a further and substantial package of enhancements to the transparency and oversight of the IASB's standard-setting process. These enhancements build on a due process that was independently assessed¹ as best

¹ One World Trust 2007 Global Accountability Report—see www.oneworldtrust.org

practice among comparable international organisations and will further develop confidence and trust in the quality of the IASB's activities. The enhancements will include the completion of a protocol for due process oversight by Trustees as well as a substantial update to the *Due Process Handbook* to incorporate operating requirements for post-implementation reviews and other due process enhancements that were identified by the governance and strategy reviews.

The Trustees will also take steps to ensure a greater separation between the governance and standard-setting functions. Consistent with the conclusions of the Monitoring Board Governance Review, the IASB Chairman will also no longer serve as Chief Executive Officer of the IFRS Foundation. Instead, these responsibilities will be transferred to the newly created position of Executive Director of the IFRS Foundation. We were delighted to welcome Yael Almog to this position. Furthermore, the Trustees will invest further in independent resources to support Trustee activities, including the appointment of David Loweth as Director for Trustee Activities, which took place in early 2012, to provide specific resources and support to the Trustees in their oversight activities.

2. Greater emphasis on global adoption through the consistent application of the standards

The Trustees' strategy review recognised the achievements of international convergence towards a single set of standards. However, we will only achieve this goal if the standards are applied and enforced on a consistent basis.

The Trustees have already taken steps to further integrate the IASB's interpretations and implementation support activities by appointing Wayne Upton to lead both functions. The Trustees completed their review of the efficiency and effectiveness of the IFRS Interpretations Committee, and the resulting changes will be implemented during 2012. Furthermore, the education and content services activities of the IFRS Foundation will undertake initiatives to promote consistent application of the standards.

3. More formalised interaction with international, regional and national authorities with an interest in accounting standards

The development of IFRSs has benefited from the IASB's collaboration with the worldwide financial reporting

community across both developed and emerging economies. In recent years, the IASB has deepened its co-operation with audit, securities and prudential regulators through a process known as the 'enhanced technical dialogue'. The strategy review recognises a need to more fully integrate this co-operation into the IASB's standard-setting processes. During the year, the IFRS Foundation will establish mechanisms to achieve this goal. This will include the introduction of more formal co-operation arrangements with others involved in the development, endorsement, enforcement and application of IFRSs. In addition to these initiatives, the IASB will introduce a new 'research phase' to its work programme that provides close coupling between the resources of national and regional bodies with an interest in financial reporting and the IASB.

The Trustees have begun the process of updating the Constitution and the Memorandum of Understanding between the Monitoring Board and the Trustees to reflect the changes that were agreed as the result of the two complementary reviews.

Financing

The year 2011 contained many financial and operational challenges. The Trustees were determined to return the Foundation to a balanced budget while meeting the increasing demands to fulfil its mission. A small operating surplus was achieved in 2011, primarily from achieving funding goals through the continued support of many contributors. I wish to thank all of our financial supporters, who are listed later in this report.

In 2012 the Trustees plan to maintain a balanced budget. The Trustees continue to make good progress against the objective to establish a stable funding mechanism based on public contributions. The Foundation is proactively enlisting support and new funding from countries that have recently adopted or that are in process of adopting IFRSs.

Conclusion

In closing, I would like to thank Marvin Cheung, Samuel A. DiPiazza, Zhongli Liu, Sir Bryan Nicholson and TV Mohandas Pai, who all completed their terms as Trustees at the end of the year. Each has invested considerable time in helping to further the mission of the IFRS Foundation. On behalf of the Trustees, I also wish to thank Sir David Tweedie for his remarkable leadership of the IASB during the last ten years. He, along with Warren McGregor and Tatsumi Yamada, who also



Staff in focus

Wladyslaw Krawiec, XBRL IT Developer (Poland)

What do you like most about your work?

Working on an innovative technology like XBRL that has the potential to really make a difference to global financial reporting.

What has 2011 meant to you?

I helped to expand the IFRS taxonomy to include commonly used extensions that make life easier for preparers and improve consistency.

Your objective for 2012?

Contribute to further reducing the production time of the Taxonomy.

retired during the year, were founding members of the IASB and should be proud of their contribution to the successes of the organisation.

I also want to express my thanks to Tom Seidenstein, the organisation's Chief Operating Officer who left at the end of 2011. His work made an important contribution to the success of the IFRS Foundation.

Lastly, my thanks go to the many thousands of organisations and individuals who comment on the work of the IASB as well as the practical support offered by national and regional accounting standard-setting bodies around the world. Particular thanks should go to the Chinese, Italian, Japanese and Korean national standard-setting authorities for providing seconded technical staff to the IASB.

Progress towards global accounting standards reflects the desire to have a commonly accepted reporting framework in a world of integrated global capital markets. The financial crisis has increased the urgency of this work. The Trustees' strategy review and the Monitoring Board's governance review describe the steps to allow IFRSs to become global standards and for the IASB to become the global accounting standard-setter. I and my fellow Trustees are fully committed to implementing these conclusions in full and on a timely basis.

A handwritten signature in black ink, appearing to read 'Michel Prada'.

Michel Prada
Chairman of the IFRS Foundation
Trustees

Report of the Chairman of the Due Process Oversight Committee

The Trustees' Due Process Oversight Committee (DPOC) is responsible for setting and overseeing compliance with the due process followed by the IASB as it develops and maintains International Financial Reporting Standards (IFRSs). In doing so, we focus on the processes followed to develop an IFRS, respecting the independence of the IASB to make the technical decisions.



DAVID SIDWELL
TRUSTEE
CHAIRMAN OF THE DPOC

The DPOC meets at least every three months with the leadership and staff of the IASB to review due process considerations for active projects, correspondence received from third parties and other related aspects of the IASB's standard-setting work.

Progress against 2011 objectives

The 2010 *Report of the Due Process Oversight Committee* identified four priority areas for the work of the DPOC during 2011. They were:

1. **to review the IASB's due process;**
2. **to create an enhanced DPOC protocol;**
3. **to enhance the transparency of the DPOC's own activities; and**
4. **to increase engagement with the IASB.**

First, the DPOC conducted a systematic review of the IASB's due process. In recent years, the Trustees have introduced several new requirements to the IASB's due process such as the three-yearly public consultation on the IASB's agenda, the requirement to consider the effects of changes of major new standards or interpretations and mandatory post-implementation reviews of major standards. At the same time,

the IASB has significantly increased the extent of the outreach and consultation activities that it undertakes in addition to those required by its formal due process. Recognising these initiatives, the DPOC reviewed the due process steps for the full life cycle of the IASB's standard-setting process. The IASB's due process was benchmarked against similar international standard-setting organisations and new methodologies were introduced for recent innovations such as post-implementation reviews.

Second, during the year, the DPOC developed a protocol to describe its own activities. The protocol is intended to guide the work of the DPOC as it discharges its responsibility for oversight of due process matters and to define the performance measurements to be used by the IASB to assist in evaluating and reporting on its adherence to published due process.

In developing the protocol, the DPOC decided to pursue an approach to oversight based on enhanced transparency, reporting and dialogue between the DPOC and IASB rather than through a formal audit mechanism. This approach allows information provided to the DPOC for compliance purposes to be used by staff and others in tracking the progress of individual projects, thus increasing transparency regarding the extent and the

robustness of the IASB's standard-setting process. The protocol was incorporated into the revised due process handbook published for public comment in May 2012, which also integrates the requirement for the Interpretations Committee.

Third, the DPOC enhanced the transparency of its own activities. The DPOC already provides a quarterly report during the public session of the Trustees' meeting and a written report as part of the Annual Report. During the year a dedicated DPOC section of the IFRS Foundation website was created. The website includes summaries of the conclusions of DPOC meetings, public correspondence with third parties about the IASB's due process along with responses from the DPOC, a list of forthcoming meetings of the DPOC and the ability to view DPOC papers by meeting date or by the project being reviewed.

Finally, the DPOC further deepened its engagement with the IASB. During the year, the IASB and the US Financial Accounting Standards Board (FASB) sought to conclude the remaining elements of their convergence programme before the June 2011 target date. Recognising the



Staff in focus

Enitan Williams, Web Developer (Nigeria)

What do you like most about your work?

It's great that the organisation is aware of how important the Internet is for their work and really values the contribution that the IT staff make.

What has 2011 meant to you?

I moved back to the UK in 2011 and started a new job here at the IFRS Foundation. Returning to a country that I last lived in over 20 years ago brought with it all sorts of emotions.

Your objective for 2012?

Contribute to the successful upgrade of our technology and to help overhaul the project pages so that the vast amount of project-related data is easier to navigate.

importance of this work and the significant number of active projects for consideration at the same time, the DPOC increased the intensity of its dialogue with the IASB. The frequency of meetings was increased and the DPOC continued to receive regular reports on the due process status of each major project. The DPOC reviewed the due process lifecycle for each major project prior to issuance of the final standard. Furthermore, during this important period the DPOC intensified its dialogue with interested parties, including meetings with the IFRS Advisory Council, representatives of XBRL advisory bodies and other interested parties.

Priorities for 2012

The achievements described provide a demonstration of the active and highly engaged nature of the relationship between the DPOC and the IASB. The DPOC's priorities during 2012 will be to build upon the achievements of 2011 in the following areas:

First, the DPOC will oversee the implementation of the revisions to the due process, the introduction of the DPOC protocol and the implementation of due process recommendations resulting from the Trustees' strategy review and the Monitoring Board governance review.

The update of the IASB's *Due Process Handbook* will also be completed before the end of the year.

Second, the DPOC will work in close co-operation with the IASB to ensure that projects due for completion in 2012 benefit fully from the updated due process, including the agenda consultation and the post-implementation review of IFRS 8 *Operating Segments*. Furthermore, in advance of the issue of major standards, the DPOC will now conduct a complete review of due process throughout the life cycle of a project, including an assessment of the robustness of field testing and effect analysis studies.

Third, the DPOC will oversee the completion and implementation of several important projects, including the review of the efficiency and effectiveness of the IFRS Interpretations Committee and a review of the strategy of the IASB's XBRL activities.

Fourth, the DPOC will oversee the introduction of procedures to support enhanced dialogue between the IASB and relevant stakeholder groups, as recommended by the Trustees' strategy review. This will include an extension to the IASB's technical dialogue with prudential regulators, the introduction of mechanisms to facilitate greater co-operation with securities regulators and the formalisation of the

relationship between the IASB and national standard-setters and regional bodies with an interest in accounting standard-setting. Furthermore, the DPOC intends to conduct an annual assessment of the effectiveness of working groups.

Finally, the DPOC will further enhance the rigour and transparency of its own activities. During 2012, the Committee will implement the DPOC protocol and finalise the development of a DPOC charter. The Committee will also consider holding parts of its meetings in public session. The appointment of David Loweth as Director for Trustee Activities will greatly assist our work in these important areas.

In closing, I would like to make specific reference to the excellent spirit of co-operation that exists between the DPOC and the leadership and staff of the IASB. There is no doubt in my mind that the IASB is fully committed to the very highest levels of due process and transparency in its operations. Many of the initiatives described are being introduced at the behest of the Board and they should be congratulated on their support for our work.



Staff in focus

Jessica Lion, Technical Manager (UK)

What do you like most about your work?

I really enjoy working on the Leases project because it has led to many interesting discussions. I also enjoy working with people from other cultures.

What has 2011 meant to you?

I returned home to the UK after six years in Australia. At the IASB, I became the liaison manager for national standard-setters.

Your objective for 2012?

I want to use the experience gained from working for the Australian standard-setter to enhance the co-operation between the IASB and national standard-setting bodies.

Trustees of the IFRS Foundation

At 31 December 2011

About the Trustees

The IFRS Foundation Trustees are responsible for the governance of the IFRS Foundation and is the oversight body of the International Accounting Standards Board (IASB).

The Trustees are appointed for a three-year term, renewable once. Six of the Trustees are selected from the Asia-Oceania region, six from Europe, six from North America, one from Africa, one from South America and two from any area.

Acting Co-Chairman and Vice-Chairman



Tsuguoki (Aki) Fujinuma Vice-Chairman

Former Chairman and President,
Japanese Institute of Certified Public
Accountants (JICPA)
Japan

Vice-Chairman since: May 2010
Term expires: December 2013



Robert Glauber Vice-Chairman

Lecturer, Kennedy School of
Government, Harvard; former
Chairman and Chief Executive Officer,
NASD; former Under Secretary
of the Treasury for Finance
United States

Vice-Chairman since: May 2010
Term expires: December 2014

Africa



Jeff van Rooyen

CEO, Uranus Investment Holdings;
former Vice Chairman, Executive
Committee, IOSCO; former CEO,
South African Financial Services Board
South Africa

Second term began: January 2010
Term expires: December 2012

Asia-Oceania



Marvin Cheung

Retired Chairman, KPMG Hong Kong
and China
Hong Kong SAR, People's Republic of China

Second term began: January 2009
Term expired: December 2011



Duck-Koo Chung

Former Minister of Commerce,
Industry and Energy; Chairman, NEAR
Foundation
Republic of Korea

First term began: 1 January 2011
Term expires: December 2013



Zhongli Liu

Former President, Chinese Institute of
Certified Public Accountants;
former Minister, Ministry of Finance
People's Republic of China

Second term began: January 2009
Term expired: December 2011

Asia-Oceania *continued*



Jeffrey Lucy AM

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

Second term began: January 2011
Term expires: December 2013



T V Mohandas Pai

Chairman, Manipal Global Education Services Pvt Ltd; former Member of the Board, Infosys Ltd; former Chairman, Infosys BPO Limited
India

Second term began: January 2009
Term expired: December 2011



Noriaki Shimazaki

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

Second term began: January 2012
Term expires: December 2014

Europe



Clemens Börsig

Chairman of the Supervisory Board, Deutsche Bank AG
Germany

Second term began: January 2012
Term expires: December 2014

Europe *continued*



Sir Bryan Nicholson GBE

Former Chairman,
Financial Reporting Council

United Kingdom

Second term began: January 2009

Term expired: December 2011



Dick Sluimers

CEO, APG Group
The Netherlands

First term began: February 2011

Term expires: December 2013



Yves-Thibault de Silguy

Vice-Chairman and Lead Director,
VINCI; former member of the European
Commission in charge of economic,
monetary and financial affairs

France

First term began: January 2010

Term expires: December 2012



Antonio Zoido

Chairman of the Board and CEO,
Bolsas y Mercados Españoles (BME)
Spain

First term began: April 2011

Term expires: December 2013

North America



Samuel A DiPiazza, Jr

Vice Chairman, Institutional Clients
Group, Citigroup; retired CEO,
PricewaterhouseCoopers
International

United States

Second term began: January 2009

Term expired: December 2011

North America *continued*



Scott Evans

Executive Vice President, Asset Management and CEO TIAA-CREF; President and CEO, Investment Management LLC
United States

Second term began: January 2012
Term expires: December 2014



Harvey Goldschmid

Dwight Professor of Law, Columbia University; former Commissioner, US Securities and Exchange Commission (SEC)
United States

First term began: 1 January 2010
Term expires: December 2012



David Sidwell

Director, UBS and Fannie Mae; former CFO, Morgan Stanley
United States

Second term began: January 2010
Term expires: December 2012



Paul Tellier

Corporate Director, Member of the Board of Rio Tinto plc and Rio Tinto Ltd.; Member of the Board, McCain Foods; Chairman of the Board, Global Container Terminals (GCT); Strategic Advisor to Société Générale
Canada

Second term began: January 2010
Term expires: December 2012

South America



Pedro Malan

Former Finance Minister and President, Central Bank of Brazil; former Chairman of the Board, Unibanco
Brazil

Second term began: January 2011
Term expires: December 2013

Successors for Trustees retiring at the end of 2011

New appointments



Michel Prada

Incoming Chairman

Former Chairman, Autorité des Marchés Financiers (AMF); former Chairman of the Executive and Technical Committees, IOSCO
France

First term began: January 2012

Term expires: December 2014



Ronald Arculli

Chairman, Hong Kong Exchanges and Clearing Limited; Chairman, World Federation of Exchanges; Senior Partner, King and Wood Mallesons

Hong Kong SAR, People's Republic of China

First term began: February 2012

Term expires: December 2014



C B Bhave

Former Chairman, Securities and Exchange Board of India; former Chairman of the Asia-Pacific Regional Committee; Member of the Board, Public Interest Oversight Board (PIOB) of IOSCO

India

First term began: February 2012

Term expires: December 2014



Yong Li

President, Chinese Institute of Certified Public Accountants; Vice Minister, Ministry of Finance of the People's Republic of China

People's Republic of China

First term began: January 2012

Term expires: December 2014



Marco Onado

Senior Professor of Financial Institutions Bocconi University, Milan, Italy, Chairman of Pioneer Global Asset Management (Italy)

Italy

First term began: January 2012

Term expires: December 2014



James Quigley

Senior Partner, Deloitte LLP; former Global CEO, Deloitte Touche Tohmatsu

United States

First term began: February 2012

Term expires: December 2014

Members of the Monitoring Board of the IFRS Foundation

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 2011

Acting Chairman

Masamichi Kono, Chair of the IOSCO Technical Committee;
Vice Commissioner for International Affairs, Financial Services Agency of Japan

European Commission

Michel Barnier, Commissioner

Financial Services Agency of Japan

Ryutaro Hatanaka, Commissioner

International Organization of Securities Commissions (IOSCO) Technical Committee

Fernando Restoy, Vice Chair of the IOSCO Technical Committee;
Vice Chairman, Comisión Nacional del Mercado de Valores, Spain

Emerging Markets Committee

Zarinah Anwar, Vice-Chair of the IOSCO Emerging Markets Committee;
Chairman of the Securities Commission, Malaysia

United States Securities and Exchange Commission (SEC)

Mary Schapiro, Chairman

Observer

Basel Committee on Banking Supervision (BCBS)

Sylvie Matherat, Chairman of the Accounting Task Force, BCBS;
Deputy Director-General, Directorate General Operations, Banque de France



IASB Meeting, L-R: Board members Stephen Cooper, Paul Pacter, Takatsugo Ochi and Darrel Scott

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Standard-setting activities

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Report of the Chairman of the IASB

It is my great pleasure to present my first annual report as Chairman of the International Accounting Standards Board (IASB). I am proud to have succeeded Sir David Tweedie as Chairman of this truly remarkable organisation.



HANS HOOGERVORST
CHAIRMAN
IASB

Let me begin by reflecting on the work that the IASB has completed since its inception a little over ten years ago.

In a relatively short period of time, the organisation has experienced a remarkable metamorphosis in reach and importance. A catalyst for this development has been the desire for a single set of high quality accounting standards, to be applied on a truly global basis.

The tremendous momentum of International Financial Reporting Standards (IFRSs) has been fostered by the growing interdependence of capital markets around the world. Investors, preparers and policymakers have all recognised the importance of credible and comparable information to the integrity and stability of financial markets. The financial crisis has shown how difficult it is to retain investor confidence when investors are uncertain about the information available to them. By providing reliable and internationally comparable financial information, our standards are a very important fundament of our market economy. I believe that the bedrock of support for our work is an understanding of this public interest of IFRSs.

During Sir David's tenure, the IASB's agenda was largely shaped by three factors.

First, the IASB was required to upgrade the International Accounting Standards (IASs) it inherited. The International Organisation of Securities Commissions (IOSCO) had identified the potential of IASs to become global accounting standards. However, at that time they were used by only a handful of economies. They required substantial enhancements for use by major jurisdictions with sophisticated financial markets.

Second, the IASB supported a number of major jurisdictions in the transition to International Financial Reporting Standards (IFRSs). Australia, the European Union, Hong Kong, South Africa and New Zealand led the way in 2005, shortly followed by the fast-growing economies of Asia, South America and Africa.

Third, at the behest of international stakeholders, the IASB and the US Financial Accounting Standards Board (FASB) undertook an ambitious convergence programme. A series of accounting scandals in the United States meant that the FASB was eyeing substantial changes to US GAAP at the same time as the IASB was upgrading its own accounting standards. It made perfect sense to coordinate this work and in turn to align US and international standards.

So began a decade of work to improve IFRSs and US GAAP and to bring about their convergence.

Each of these projects was significant in its own right. To substantially complete all three projects in parallel is a remarkable achievement. To do so in the midst of the worst financial crisis since the 1930s provides some insight into the challenges presented to the IASB and the determination of the Board and staff to work in the public interest.

Today

Today more than a hundred countries require or permit use of our standards. From 2012, more than two-thirds of G20 members require the use of IFRSs, while nearly half of Global Fortune 500 companies now report using IFRSs. Against this backdrop, I think it is fair to say that IFRSs have achieved critical mass as global accounting standards. The G20 itself has been a vociferous supporter of our aims and successive communiqués have called for a rapid move towards global accounting standards.

Of course, there remain several large economies that have yet to make the full transition to IFRSs, including China, India, Japan and the United States. Each of these jurisdictions has committed itself through

successive G20 declarations to international accounting norms. However, it is also true that each jurisdiction is at a different point in its cycle of IFRS adoption.

We have developed an excellent relationship with the Chinese authorities, whose own accounting standards are now very close to IFRSs. We have for many years welcomed staff seconded from the Chinese Finance Ministry. China also chairs our Emerging Economies Group, which the Trustees established in 2011.

Japan already accepts the use of IFRSs for certain companies within its jurisdiction and the IASB has worked alongside the Accounting Standards Board of Japan (ASBJ) for many years to bring about convergence between IFRSs and Japanese GAAP. The two boards met for the 14th time in 2011 and the ASBJ has seconded several technical members of staff to the IASB. In October 2012, the IASB will open a satellite office for the entire Asia-Oceania region, located in Tokyo and funded by the ASBJ.

At the same time, India is well along the path towards IFRSs and is in the process of significantly revising its own accounting standards towards that end.

All three of these countries have also been instrumental in establishing the Asian-

Oceanian Standard-Setters Group (AOSSG), demonstrating their commitment to the development of a strong regional voice.

I am confident that these nations, having developed their respective standards in line with our model, will in due course take the final step to adopt.

I have already mentioned the huge effort that has been made by the IASB and FASB to work towards the convergence of IFRSs and US GAAP. Our priority with the FASB has been to finish the four remaining convergence projects—financial instruments, revenue recognition, leases and insurance contracts. Senior IASB Technical Director Sue Lloyd and her team are focused on that task.

Convergence has proved to be a very useful tool to bring two very different sets of standards that much closer together. However, it is less effective when trying to achieve an identical outcome. Now that IFRSs and US GAAP are very similar, most commentators want our focus to shift from convergence to adoption. Indeed, this is a fundamental conclusion of the recently completed Trustees' strategy review.

So, as the IASB enters its second decade, I see two imperatives. The first is to finish the four remaining convergence projects

to a high standard. The second is to create a new work programme and a new way of working that will further strengthen our ties with existing IFRS adopters and give those other countries yet to fully commit, the confidence to take that last step to full adoption.

The way forward

In 2011 we started a comprehensive public consultation on our future work programme. We set out some of the Board's initial ideas for our future direction and invited feedback. We received helpful feedback through the hundreds of letters we received from a diverse range of parties and from public round table meetings held around the world. We also raised awareness of the consultation at our conferences in Zurich, Boston and São Paulo, where a number of small group meetings with interested parties were arranged.

Feedback on the agenda consultation has been very positive and largely consistent. The most common feedback is a request for a period of stability. I do not think we will get it, but the request for calm is understandable. Ten years ago few economies used international standards.

Now, more than 100 do. At the same time, many of our standards have been rewritten. That is ten years of unprecedented change.

It is not surprising that our friends around the world want some time for the dust to settle. That is why determining the IASB's future work programme will involve cherry-picking the most important areas where change is required. Let's fix what needs fixing, and no more.

There is widespread support for completing revisions to our *Conceptual Framework*. This framework serves as a point of reference for the IASB's decision-making. Where choices are not clear cut, the framework serves to

encourage the IASB to make decisions that are consistent across the standards. Our existing framework is good but incomplete. Addressing the conceptual underpinning of our standards is a challenging task, but one I am very much looking forward to tackling.

As a related topic, we received a great deal of support for addressing the theoretical definition of Other Comprehensive Income (OCI). What is the meaning of OCI? What should be in it? How does it relate to Profit or Loss (P&L)? Should we allow recycling? Firming-up when and how OCI is used will help investors understand better the relative importance of the P&L and OCI.



Staff in focus

Denise Durant, Technical Manager (Mexico)

What do you like most about your work?

Drilling down into the practical challenges of implementing our standards on an internationally consistent basis.

What has 2011 meant to you?

I closely followed my home country's preparations to join the IFRS community in 2012.

Your objective for 2012?

The role of the Interpretations Committee is expanding and I am really looking forward to the new challenges ahead.

The last 'grand theme' we are likely to address is the voluminous nature of disclosures. This is not entirely due to financial reporting. The plain fact is that businesses have become more complex. It is the job of financial reporting to describe this complexity, not to mask it. However, it is also true that there is the potential to rationalise disclosure requirements. We will work in close co-operation with investors, preparers, auditors and regulators to see if some pruning can be done.

Finally, we will take on a few specific projects that new adopters of IFRSs, including those in emerging markets, have asked us to consider. At the time of writing, this list has yet to be finalised, however agriculture, business combinations under common control, and rate-regulated industries are strong candidates.

Our task is to achieve a balance between addressing genuine concerns and maintaining a sustainable workload for the IASB and the wider IFRS community. However, how we develop our work



Staff in focus
Mariela Isern, Senior Technical Manager (Spain)

What do you like most about your work?
The work combines desk-based research and analysis as well as outreach to our stakeholders.

What has 2011 meant to you?
After three and a half years' work, IFRS 11 was published in May 2011. Completing that project felt a bit like finishing a marathon.

Your objective for 2012?
My priority is the development of educational material for IFRS 13, *Fair Value Measurement*, a topic that draws much interest and attention.

programme will be just as important as the subjects we will examine. Senior IASB Technical Director Alan Teixeira is leading these developments.

The new strategy includes two important threads. The first is the creation of a research programme that allows the IASB to undertake preliminary studies on potential projects before they are considered as candidates for the IASB's main work programme. Such an approach should help the IASB to develop

a deeper understanding of all dimensions of a financial reporting problem before it decides whether to start to develop a new IFRS. This more open approach will enable us to understand industry and jurisdictional perspectives at a much earlier stage in the process and, as a consequence, we should be able to develop more rigorous, and shorter, timetables.

The second thread relates to how we involve the wider IFRS community. Since the IASB started we have maintained a

healthy and positive relationship with national standard-setters. Indeed, most of the first Board and many of the technical staff came from the small group of independent national standard-setters whose work was the foundation for the first set of IFRSs. Since then we have welcomed into the IFRS community new national and regional bodies associated with the development of accounting standards. We have also engaged extensively with security regulators as well as prudential regulators. As extensive and positive as those interactions have been, now is the time to add more structure and formality to our relationships with these important members of the IFRS community. This was

an important conclusion of the recently completed Trustees' strategy review.

How we involve bodies associated with accounting standard-setting is very important, both to them and to us. For some bodies, the new model will replace joint convergence programmes. Those bodies will want to be assured that they remain involved in a meaningful way. And we cannot afford to lose access to their people or to their networks of investors and preparers. A more structured involvement of these bodies should serve to facilitate endorsement of our standards in the future.

It is also clear that some of these bodies are more able to participate in our

standard-setting processes because they are better resourced and more experienced in standard-setting. Any formalisation of our structure will need to reflect their relative strengths.

I fully expect the next twelve months to be as challenging and eventful as any that the IASB has experienced. I for one relish the challenges and rewards that lie ahead, and look forward to keeping you updated as our progress continues.



Hans Hoogervorst
Chairman
IASB



Staff in focus

James Langridge, Project Manager, Translations (UK)

What do you like most about your work?

As part of the IFRS Translations team, I enjoy working with national standard-setters and governments, to ensure that the appropriate contractual framework and translation process are in place to support adoption.

What has 2011 meant to you?

As Project Manager for the Russian translation of IFRSs, Russia's decision to adopt IFRSs from 2012 was a significant event, and I look forward to supporting adoption throughout the Commonwealth of Independent States.

Your objective for 2012?

The Russian translation of the accompanying documents (Part B) is under discussion and I would like to see that published in 2012.

Overview of technical activities in 2011

The Technical agenda

Project	Status
<p>IFRS 9—replacement of IAS 39 <i>Classification and measurement</i></p>	<p>In November 2009 the IASB issued IFRS 9 <i>Financial Instruments</i>. At that time, the Board noted that it would subsequently review the appropriateness of the effective date in light of the progress of the other project phases and the Insurance Contracts project. In December 2011, after exposing the proposed deferral, the IASB deferred the mandatory effective date of IFRS 9 until 1 January 2015. The IASB also extended the comparative disclosure relief that previously had only been available to early adopters of IFRS 9 to all entities.</p> <p>The IASB had previously stated that it would consider ways to address differences with the FASB's classification and measurement model and also to consider the interaction with the Insurance Contracts project when the accounting under those projects was sufficiently clear. In December 2011 the IASB decided that it was the appropriate time to consider limited modifications to IFRS 9 to consider the interactions with these projects and also to address some known application issues in IFRS 9. In undertaking the review, the IASB noted the need for timely completion and that some entities have already adopted IFRS 9, highlighting the importance of minimising the disruption for these entities.</p>
<p>IFRS 9—replacement of IAS 39 <i>Amortised cost and impairment of financial assets</i></p>	<p>This phase of the project is focused on improving the transparency of information about the credit quality of financial assets—estimating and reporting expected losses in a timely manner.</p> <p>The IASB issued an exposure draft on impairment in 2009. The FASB developed their own proposals independently. The models differed in several important aspects. In January 2011 the IASB and FASB proposed an impairment model that they believed would enable them to satisfy at least part of their individual objectives for impairment accounting, while still achieving a common solution. Feedback was mixed, with many respondents preferring the IASB's simplified proposals and others preferring aspects of the FASB's original model.</p> <p>The staff of the IASB held four webcast sessions throughout 2011 to explain and discuss the project progress. As part of the Board's deliberations on the supplementary document it held 111 meetings around the world with over 1600 participants.</p> <p>Reflecting on this feedback, during 2011 the boards developed an approach that places financial assets into three categories for the purpose of assessing expected losses, making the maximum use of credit risk management systems. On initial recognition loans would be placed in a category for which entities would be required to recognise losses expected to arise in the next 12 months.</p> <p>Loans would be transferred to another category when there is a meaningful deterioration in credit quality. At that time the entity would recognise the lifetime expected losses on these loans.</p> <p>The IASB expects to re-expose the proposals in 2012.</p>

Project	Status
<p>IFRS 9—replacement of IAS 39 <i>General hedge accounting</i></p>	<p>In December 2010 the IASB published proposals to revise hedge accounting, for both financial and non-financial exposures. The comment deadline ended in March 2011. Feedback indicated strong support for the proposals, with respondents welcoming the fact that the Board was addressing hedge accounting comprehensively.</p> <p>In September 2011 the Board completed its deliberations on the comments received and asked the staff to prepare a draft of the final requirements, including application guidance and a Basis for Conclusions. That draft will be made available on the IASB website for about 90 days. We expect this document to be published in the middle of 2012. The public posting of the near final standard will provide the Board with the opportunity to undertake an extended fatal flaw process. The Board also wishes to give the FASB the opportunity to consider the planned requirements. The Board plans to finalise the requirements once this review has been completed.</p>
<p>IFRS 9—replacement of IAS 39 <i>Macro hedge accounting</i></p>	<p>This phase of the project addresses risk management strategies of open portfolios (macro hedging) that are not covered by the proposed general hedge accounting requirements. In developing the potential requirements the IASB has considered the feedback received on the general hedge accounting model.</p> <p>In 2011 the IASB focused on undertaking outreach activities with interested parties and considering various options for developing an appropriate model for the hedge accounting of portfolio hedges. The IASB discussed portfolio hedge accounting in five public Board meetings, including a joint meeting with the FASB. As the next due process step the IASB expects to publish a discussion paper.</p>
<p>IFRS 9—replacement of IAS 39 <i>Offsetting of financial assets and financial liabilities</i></p>	<p>The IFRS and US GAAP requirements for offsetting financial assets and liabilities are different, which reduces the comparability of balance sheets, particularly for the reporting of derivative assets and derivative liabilities by financial institutions. This is the single largest factor affecting balance sheet presentation for financial institutions between entities applying IFRSs and those applying US GAAP.</p> <p>In January 2011 the IASB and FASB published for public comment an exposure draft on offsetting financial assets and financial liabilities. The boards proposed that offsetting would be required when the right of set-off is enforceable at all times (including default and bankruptcy), the ability to exercise this right is unconditional (it does not depend on a future event) and the parties intend to net settle the gross amounts. Provided all of these conditions were met, offsetting would be required.</p> <p>In June 2011 all 15 IASB members supported confirming the proposals, whereas the FASB voted narrowly, 4-3, not to proceed.</p> <p>The IASB decided not to finalise the proposal alone, because doing so would not address the differences between IFRSs and US GAAP. Instead, the IASB decided to complete the disclosure proposals that had been exposed and to provide additional application guidance in IAS 32 <i>Financial Instruments: Presentation</i>, to address issues identified during the redeliberations. The Board issued the amendments to IAS 32 and IFRS 7 <i>Financial Instruments: Disclosures</i> in December 2011.</p>

Project	Status
Revenue Recognition	<p>This is a joint project of the IASB and the FASB. The IASB's objective is 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 range of detailed and sometimes inconsistent industry-specific requirements with cohesive principles. The boards published joint proposals in June 2010.</p> <p>Throughout 2011 the boards discussed the feedback received on those proposals in 13 public board meetings.</p> <p>In November 2011 the boards re-exposed the proposals, reflecting modifications from the original exposure draft in response to the feedback received.</p> <p>The boards considered that they could have completed the project without re-exposing the proposals, but they took a cautious approach because of the special nature of revenue.</p> <p>The boards expect to complete substantive redeliberations in 2012.</p>
Leases	<p>The project objective is to improve financial reporting by lessors and, particularly, lessees for whom lease obligations are a significant source of financing that is not usually reported on balance sheets.</p> <p>The boards published a joint exposure draft in August 2010, feedback on which they considered in 2011. The boards also held public meetings in London, Hong Kong, Chicago and Norwalk that complemented the extensive outreach activities—including preparer workshops—undertaken during the comment period.</p> <p>The redeliberations are substantially complete but the boards are aware of remaining concerns about the profit and loss profile for lessees, which the staff is examining further.</p> <p>In July 2011 the boards decided to re-expose the proposals. The exposure draft is expected to be issued the second half of 2012.</p>

Project	Status
Insurance Contracts	<p>The IASB is developing an IFRS to replace the interim standard, IFRS 4 <i>Insurance Contracts</i>, to provide a basis for consistent accounting for insurance contracts. The FASB joined the IASB on the project in October 2008.</p> <p>In 2011 the boards began considering together the feedback received on the IASB's exposure draft and the FASB Discussion Paper. The IASB discussed the insurance project in 21 joint meetings with the FASB during 2011. To keep stakeholders up to date Board members recorded nine podcasts throughout the year. In addition, the IASB's Insurance working group met twice in 2011 to discuss the project.</p> <p>The boards have reached different conclusions on several important aspects of the project and are deciding how, or whether, they will address those differences.</p>

Narrow-scope improvements

Project	Status
Annual Improvements	<p>In June 2011 the IASB published for public comment an exposure draft of seven proposed amendments to five IFRSs in the 2010-11 cycle of annual improvements—a streamlined process for dealing efficiently with narrow-scope amendments to IFRSs. The comment period for those proposals closed on 21 October 2011.</p> <p>The Board has also been considering proposals for the next package of annual improvements. Those proposals were published in May 2012.</p>
IFRS 10 Transition Clarifications	<p>In December 2011 the IASB published for public comment a proposal to clarify the transition requirements for IFRS 10 <i>Consolidated Financial Statements</i>. The proposal was designed to allay fears by confirming the extent of relief to be provided on transition, which some had misunderstood as being more narrow than the Board had intended.</p> <p>In May 2012 the Board voted to proceed to finalise these clarifications and in addition to provide some relief from restating comparatives on the initial application of IFRS 10, IFRS 11 and IFRS 12.</p>

Project	Status
Amendment to IFRS 1 (prospective application of IAS 20)	<p>In October 2011 the IASB published a proposal to amend IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> to provide first-time adopters with the same relief that is already granted to existing preparers from a requirement in IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>, related to subsidised loans.</p> <p>The proposal received broad support and the amendment was finalised and published in March 2012.</p>
Investment Entities	<p>On 25 August 2011 the IASB published proposals that would exempt a class of entities called investment entities from the accounting requirements in IFRS 10 <i>Consolidated Financial Statements</i>.</p> <p>Such entities would not consolidate investments in entities that they control. Instead, they would measure those investments at fair value, with any changes in fair value recognised in profit or loss. The FASB has released similar proposals.</p> <p>The comment period for the exposure draft closed on 5 January 2012, after which public round-table meetings were held in Kuala Lumpur, London, Norwalk and Toronto.</p>

Agenda Consultation

Agenda Consultation	<p>On 26 July 2011 the IASB launched its first formal public agenda consultation on its future work plan. The comment period closed on 30 November 2011. The IASB sought input on the strategic direction and overall balance of the work plan from the IFRS Advisory Council, investors and a broad range of interested parties. The consultation included public round-table meetings in London, Singapore, Norwalk and Toronto.</p> <p>The Board has completed its consideration of the input it has received and expects to release a feedback statement and strategy document in mid 2012.</p>
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Due process documents published in 2011

IFRSs and amendments to IFRSs	Issued in	Description	Effective date
IFRS 10 <i>Consolidated Financial Statements</i>	May	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 <i>Consolidated and Separate Financial Statements</i> and SIC-12 <i>Consolidation—Special Purpose Entities</i> .	Annual periods beginning on or after 1 January 2013, with earlier application permitted.
IFRS 11 <i>Joint Arrangements</i>	May	IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 <i>Interests in Joint Ventures</i> and SIC-13— <i>Jointly Controlled Entities—Non-monetary Contributions by Venturers</i> .	
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	May	IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.	
IAS 27 <i>Separate Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>	May	As a consequence of the new IFRS 10, 11 and 12, the IASB issued an amended and retitled IAS 27 <i>Separate Financial Statements</i> and an amended and retitled IAS 28 <i>Investments in Associates and Joint Ventures</i> .	
IFRS 13 <i>Fair Value Measurement</i>	May	IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. 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, or change what is measured at fair value in IFRSs or address how to present changes in fair value.	
IAS 19 <i>Employee Benefits</i>	June	The amendments to IAS 19 will improve the recognition and disclosure requirements for defined benefit plans.	Annual periods beginning on or after 1 January 2013, with earlier application permitted.

IFRSs and amendments to IFRSs	Issued in	Description	Effective date
IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	June	The amendments to IAS 1 <i>Financial Statement Presentation</i> improve how we present components of other comprehensive income. The FASB also issued equivalent requirements.	Annual periods beginning on or after 1 July 2012.
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	October	The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.	Annual periods beginning on or after 1 January 2013 with earlier application permitted.
IAS 32 <i>Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)</i>	December	The amendments to IAS 32 <i>Financial Instruments: Presentation</i> clarify the application of the offsetting requirements. The new disclosures requirements amend existing requirements in IFRS 7. The new requirements were issued jointly with the FASB. They enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP.	The IAS 32 amendments are effective for annual periods beginning from 1 January 2014, with earlier application permitted. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013.
<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7)</i>	December	The amendments defer the mandatory effective date of IFRS 9 to 1 January 2015. They also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.	n/a

Exposure drafts	
ED <i>Supplement Financial Instruments: Impairment</i>	January
ED <i>Offsetting Financial Assets and Financial Liabilities</i>	January
ED <i>Investment Entities</i>	August
ED <i>Mandatory Effective Date of IFRS 9 (Proposed amendment to IFRS 9 (November 2009) and IFRS 9 (October 2010))</i>	August

Exposure drafts	
ED <i>Government Loans (Proposed amendments to IFRS 1)</i>	October
ED <i>Revenue from Contracts with Customers</i>	November
ED <i>Transition Guidance (Proposed amendments to IFRS 10)</i>	December

Report of the Chairman of the IFRS Advisory Council

The IFRS Advisory Council met three times in 2011, paying particular attention to the Trustees' strategy review and Monitoring Board's review, the completion of the remaining major joint IASB/FASB projects and the first three-yearly IASB agenda consultation.



PAUL CHERRY
CHAIRMAN
IFRS ADVISORY COUNCIL

The Council members urged the Trustees and Monitoring Boards to collaborate and co-ordinate their reviews with the aim of achieving an integrated and cohesive package of proposals and a clear delineation of their respective roles. While recognising the importance of the individual issues and the overall benefits of a global set of financial reporting standards, members urged the IASB not to sacrifice quality or the goal of a single global standard for the sake of speedy completion of the four remaining joint projects.

The Council also sees the IASB agenda consultation and the strategy review of the IFRS Foundation that was coming to a conclusion in 2011 as being critically important. Changes resulting from these two major consultations to the IASB's priorities, work programme and to how the IASB interacts with national standard-setters and regional bodies are viewed as being highly desirable.

In particular, the Council members believe that in making decisions about the future

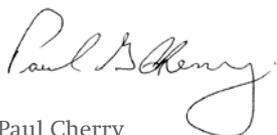
IASB work programme the primary consideration should be to serve the needs of those jurisdictions that have adopted IFRSs or are committed to doing so. In particular, members support a 'period of calm' to allow for a proper implementation of the extensive range of new and revised standards that have been issued in recent years.

During the 2011 Council meetings, break-out sessions provided an opportunity for Council members, IASB members and Trustees to exchange views on a wide range of topics in small groups, including how to raise the profile of the Council and how to work more effectively with the Trustees. Also discussed in such meetings were effective dates and transition requirements, how to protect the IFRS brand and the forthcoming post-implementation reviews. The members benefited from education sessions on the IASB's project on insurance contracts and revenue from contracts with customers and also from a session on the role of academic research in standard-setting. The Council also completed its first performance self-assessment.

Members generally expressed a high level of satisfaction and a number of recommendations were made to improve our effectiveness and efficiency.

I believe that because of the recent changes made to the setup of the Council as a body comprising primarily representatives from groups interested in or affected by the work of the IFRS Foundation and its standard-setting body, the IASB, the Council is well positioned to play a key role in shaping the IASB's strategic direction, priorities and work programme. Striking the right balance between strategy and policy issues and significant technical issues relating to active standard-setting projects is critical to the Council's effectiveness. I believe that our diversity of backgrounds and experience is a key strength and makes us uniquely positioned to assist both the Trustees and the IASB.

2011 marks the completion of the current Council's term. I want to thank members and staff for their contributions, with special thanks to Vice-Chairmen Charles Macek and Patrice Marteau.



Paul Cherry
Chairman of the IFRS Advisory Council

IFRS Advisory Council members – February 2011



The IFRS Advisory Council is comprised of a wide range of representatives from user groups, preparers, financial analysts, academics, auditors, regulators, professional accounting bodies and investor groups that are affected by and interested in the IASB's work. Members of the Advisory Council are appointed by the Trustees.

Report of the Chairman of the IFRS Interpretations Committee

The IFRS Interpretations Committee ended 2011 with a renewed and expanded commitment to work with the IASB in providing guidance to those applying IFRSs.



WAYNE UPTON
DIRECTOR OF INTERNATIONAL ACTIVITIES
IASB
CHAIRMAN
IFRS INTERPRETATIONS COMMITTEE

In 2011, the Interpretations Committee met six times and concluded 26 issues. At year end, 10 issues remain in process. The Interpretations Committee finalised IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* in October 2011. The topics on the Interpretations Committee's 'work in progress' list testify to the complexity of the issues that are submitted. The list includes questions about levies on participants in a particular market, including levies imposed following the financial crisis. Another question concerns the accounting for contingent payments related to assets acquired. There are also questions about IFRIC 12 *Service Concession Arrangements* and IFRIC 15 *Agreements for the Construction of Real Estate*.

Importantly, in late 2010, the Trustees launched a review of the efficiency and effectiveness of the Interpretations Committee. This review involved surveying Interpretations Committee members and interested parties for their views on the Interpretations Committee's strategy, operations and performance. During 2011, the Interpretations Committee discussed the summaries of this survey, which had been compiled independently by staff of the IFRS Foundation. The results were also presented to, and discussed by, the IASB and the Trustees. These discussions resulted in a number of proposals,

particularly about how the Interpretations Committee could expand the ways in which it responds to the implementation issues it receives from stakeholders from around the world. The proposals envisage the Interpretations Committee recommending to the IASB guidance on the application and implementation of IFRSs as well as the development of educational material. They also include an enhanced involvement of the IASB in the Interpretations Committee's work. The Trustees concluded the review in April 2012. The resulting measures will be implemented throughout the year.

In terms of membership, this was a year of turnover for the Interpretations Committee. Robert (Bob) Garnett ended his service as Chairman and I assumed the role at the September meeting. Takatsugu (Tak) Ochi left the Interpretations Committee in July to become a member of the IASB. In this, he followed the example of Darrel Scott, who joined the IASB in 2010. Tak was replaced on the Interpretations Committee by Kazuo Yuasa. Jean-Louis Lebrun ended his term in June and was replaced by Charlotte Pissaridou. Our thanks go to Bob, Tak and Jean-Louis for their services to the Interpretations Committee. Five members—Joanna Perry, Luca Cencioni, Jean Paré, Margaret Smyth, and Scott Taub—were reappointed to new terms.

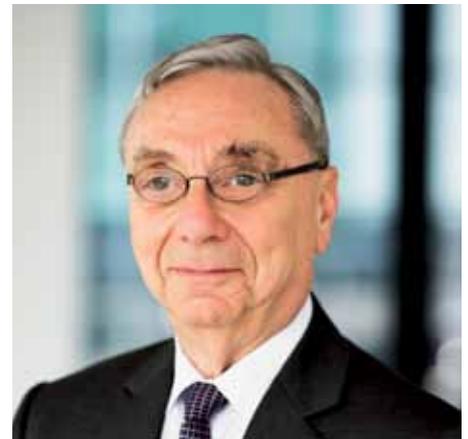
Report of the Chairman of the SME Implementation Group (SMEIG)

During 2011, we continued to make considerable progress in helping jurisdictions to implement the *IFRS for SMEs*. In 2011 the *IFRS for SMEs* was adopted or became effective for use in Argentina, Chile, the Dominican Republic, Ecuador, Honduras, Jamaica, Mauritius, Panama, Samoa, Singapore and Zambia.

Throughout 2011, the SMEIG focused particularly on developing and publishing Q&A documents as non-mandatory guidance for implementing the *IFRS for SMEs*. As part of that effort it published 11 draft Q&As for public comment.

In terms of group membership, two new members were appointed to the SMEIG in 2011: Kati Beiersdorf, a project manager with RBS RöverBrönnerSusat, Berlin, Germany and Henri Fortin, Head of the World Bank's Centre for Financial Reporting Reform for Europe and the

Central Asia Region. In addition to its work on Q&A documents, the group also began planning for the initial comprehensive review of the *IFRS for SMEs*. This review will enable the IASB to assess the first two years' experience in implementing the standard and consider whether there is a need for any amendments. The SMEIG will take the lead in organising the review and, following public consultation, will provide recommendations to the IASB concerning possible amendments. The IASB plans to publish an Invitation to Comment in mid-2012.



PAUL PACTER
IASB MEMBER
CHAIRMAN, SMEIG

2011 activities to support the adoption and implementation of the *IFRS for SMEs*:

- **9+5 new translations of the *IFRS for SMEs*.** Translations published in 2011 included Albanian, Japanese, Lithuanian, Macedonian, Mongolian, Polish, Russian, Serbian, and Turkish. In progress at the end of 2011 were Estonian, Hebrew, Kazakh, Khmer and Ukrainian.
- **14 train-the-trainers workshops.** During 2011, three-day regional workshops to train teachers of the *IFRS for SMEs* were conducted in Argentina, Barbados, Bosnia and Herzegovina, Saint Kitts and Nevis, The Gambia, Kazakhstan, Kenya, Singapore, Turkey and the United Arab Emirates. Shorter workshops were held in in Belarus, Chile and Ukraine.
- **Presentation materials.** During 2011, we updated the English presentations and posted translations into Arabic, Russian and Turkish.
- **Self-study training modules and translations.** During 2011, final training modules were posted on five sections and translations of the training modules into Arabic, Russian, Spanish and Turkish were published.

Case Study: Completing the *IFRS for SMEs* flagship educational programme

Less than three years after the *IFRS for SMEs* was issued, over 80 jurisdictions have adopted the standard or publicly announced a plan to do so. *The IFRS for SMEs* is now used by many millions of companies around the world.

The success of the *IFRS for SMEs* is partly thanks to the organisation's Education Initiative and the work of IASB member Paul Pacter with the support of the SME Implementation Group. Their joint efforts resulted in an unprecedented programme of implementation support for the *IFRS for SMEs*.

Mike Wells, Director of the IASB's Education Initiative, sums up the range of activities undertaken by the organisation: "The education and training material includes an executive briefing document, self-study training manuals, presentation materials for classroom training, Q&As and web pages—all free of charge and available online. Over 13,000 users subscribe to our free monthly newsletter. These materials have been invaluable in allowing us to reach a wide audience and promote correct and consistent application of the standard across all jurisdictions".

One particularly important tool to encourage the correct use of the *IFRS for SMEs* is the 'train-the-trainers' workshops. Since 2010 the Education Initiative has worked with the world's development agencies, regional professional associations and others to facilitate regional workshops on the *IFRS for SMEs*. For instance, the World Bank helped to arrange and fund more than 10 of these workshops.

"The *IFRS for SMEs* provides a valuable financial reporting reference framework for smaller entities that is more responsive to the size and ownership of their operations, and should help improve their access to finance," says Fayezul Choudhury, Vice President, Corporate Finance & Risk Management from the World Bank, commenting on the reasons for the World Bank's support. "In countries that have already adopted IFRSs as the national accounting standard, the simplifications introduced by the SME standard provide much-needed relief."

The workshops generally last three days with eight classroom hours per day. So far, workshops have been held in 22 countries with participants from a total of 105 countries. After participating in an IFRS Foundation training workshop and after studying the more comprehensive IFRS Foundation training material, the local trainers are expected to run one or more similar capacity-building events in their jurisdictions. "The objective of our workshops is to create a sort of ever-expanding wave of skills across those countries where the *IFRS for SMEs* has been adopted", adds Paul Pacter.

Evaluating the impact that the workshops and the follow-on activities have had on the region, Brian Blood, Chief Executive of the Confederation of Asian & Pacific

Accountants (CAPA) says: "This is a real milestone for the profession in the region".

"Brazil is a good example of the intended 'multiplier effect' of the workshops", says Mike Wells. After having participated in an IFRS Foundation training workshop, Professor Ricardo Lopes Cardoso of the Brazilian School of Public and Business Administration presented 18 train-the-trainers workshops. The workshops were organised by the Brazilian Federal Accounting Council (Conselho Federal de Contabilidade—CFC) and took place all over Brazil. They were attended by more than 2,600 certified accounting professionals.

Even as the initial wave of train-the-trainers workshops is slowly coming to an end, the extensive free self-study learning tools that the Education Initiative has created will remain available. Each of the 35 sections of the *IFRS for SMEs* training module is available in English, Spanish, Turkish and Russian, with more translations to come.

Concluding, Pacter says: "Every three years the Board will review the *IFRS for SMEs* to address any potential challenges that people may face. And, of course, we will not simply end all our workshops now that the main initiative has come to a close. If we recognise a specific need, we will try our best to address it appropriately."

IFRS for SMEs workshop locations



Workshop location:

- | | | |
|--|--|---|
| ① Kuala Lumpur, Malaysia
55 participants – 15 countries | ⑧ Panama City, Panama
114 participants – 16 countries | ⑮ Kiev, Ukraine
50 participants – 1 country |
| ② Hyderabad, India
30 participants – 6 countries | ⑨ Astana, Kazakhstan
50 participants – 1 country | ⑯ Buenos Aires, Argentina
118 participants – 14 countries |
| ③ Dar es Salaam, Tanzania
100 participants – 10 countries | ⑩ Singapore, Singapore
120 participants – 7 countries | ⑰ Yangon, Myanmar
130 participants – 1 country |
| ④ Cairo, Egypt
30 participants – 10 countries | ⑪ Ankara, Republic of Turkey
100 participants – 1 country | ⑱ Dubai, UAE
140 participants – 9 countries |
| ⑤ Rio de Janeiro, Brazil
700 participants – 7 countries | ⑫ Banjul, The Gambia
80 participants – 6 countries | ⑲ Sarajevo, Bosnia and Herzegovina
40 participants – 8 countries |
| ⑥ Helsinki, Finland
60 participants – 6 countries | ⑬ Minsk, Belarus
20 participants – 1 country | ⑳ Nairobi, Kenya
100 participants – 11 countries |
| ⑦ Vienna, Austria
40 participants – 8 countries | ⑭ Basseterre, The Federation of Saint Kitts and Nevis
50 participants – 5 countries | ㉑ Christ Church, Barbados
53 participants – 10 countries |
| | | ㉒ Santiago, Chile Santiago, Chile
150 participants – 2 countries |

IFRS XBRL update

XBRL (eXtensible Business Reporting Language) is an international standard for the presentation of financial information in a machine-readable format. It is a relatively 'young' technology, to whose development the IFRS Foundation has contributed since 2001.

In 2001 the Foundation began a project to develop a classification system (taxonomy) that would allow companies reporting using IFRS to make their financial statements available in an electronic XBRL-compliant format. The first IFRS taxonomy was issued in 2008, with new versions being issued each year incorporating new IFRS requirements and changes in XBRL technology.

During 2011 the priorities of the IFRS Foundation XBRL team were to integrate their activities into the IASB's technical standard-setting activities and to extend the IFRS taxonomy to include extensions that reflect common practice.

Integration into standard-setting activities

When the Trustees established an XBRL capability more than 10 years ago, they decided to incubate the programme within the Foundation but separately from the IASB. At that time, XBRL was not ready for mainstream use and it was important that the team worked with the XBRL community around the world to help establish critical mass.

After a decade of work, the Trustees decided to fully integrate the development

and maintenance of the IFRS Taxonomy into the IASB's standard-setting activities. This took place in late 2011.

Development of extensions that reflect common practice

Financial statements often have more detailed information than is set out in the IFRS Taxonomy—for example, although IFRSs require the disclosure of an analysis of expenses, they do not include a prescriptive listing of all the possible categories of expenses. To prepare an electronic version of their financial statements using XBRL, preparers need to create 'extensions' to the IFRS Taxonomy to give this level of specificity. Such bespoke (custom) extensions can make it more difficult for those wanting to use the electronic versions of the financial statements to extract data to use in their analysis. In April 2011, the XBRL team announced its intention to extend the IFRS Taxonomy to include some of the most frequently used common-practice concepts. As a result of an analysis of IFRS-compliant financial statements, and of work with companies from various regions and different industries, the 2012 version of the IFRS XBRL taxonomy now includes commonly used

extensions, including, for instance, concepts for some of the most frequently used types of expense.

Objectives for 2012

In addition to producing a high quality IFRS XBRL Taxonomy, the XBRL team's objectives for 2012 are threefold.

First, and fundamentally, working in close cooperation with the Trustees' Due Process Oversight Committee (DPOC), the XBRL team will conduct a strategic review of XBRL activities. The full integration of the XBRL team into the IASB's technical resources presents an opportunity to re-evaluate the future strategy of XBRL activities.

Second, working in close co-operation with the XBRL Advisory Council and the XBRL Quality Review Team, the XBRL team will undertake further analysis of common practice concepts with the aim of developing and issuing further extensions to the taxonomy.

Third, the XBRL team will further deepen its dialogue with analysts, investors and data aggregators to better understand the needs of users of electronic financial statements.

Members of the IASB

About the IASB

The IASB is the standard-setting body of the IFRS Foundation. As of 31 December 2011, the IASB had 14 members.

Following the conclusion of the second Constitution Review, membership of the IASB may be expanded from 1 July 2012 to 16 members with a recommended geographic distribution as follows: four members from Asia–Oceania, four from Europe, four from North America, one from Africa, one from South America and two from any area.

At 31 December 2011

Chairman



Hans Hoogervorst

Term began: July 2011

Term expires: June 2016

Vice-Chairman



Ian Mackintosh

Term began: July 2011

Term expires: June 2016

Africa



Darrel Scott

Term began: October 2010

Term expires: October 2015

Asia-Oceania



Prabhakar Kalavacherla ('PK')

Term began: January 2009

Term expires: June 2013



Takatsugu Ochi

Term began: July 2011

Term expires: June 2016



Wei-Guo Zhang

Term began: July 2007

Second term expires: June 2017

Europe



Stephen Cooper

Term began: July 2007

Second term expires: July 2017



Philippe Danjou

Term began: July 2006

Second term expires: June 2016



Jan Engström

Term began: May 2004

Second term expires: June 2014

North America



Patrick Finnegan

Term began: July 2009
Term expires: June 2014



Patricia McConnell

Term began: July 2009
Term expires: June 2014



John T Smith

Term began: September 2002
Second term expires: June 2012



Paul Pacter

Term began: July 2010
Extended term expires: December 2012

South America



Amaro Luiz de Olivera Gomes

Term began: July 2009
Term expires: June 2014

Board members retiring during 2011



Sir David Tweedie

Appointed: January 2001

Term expired: June 2011



Elke König

Appointed: July 2010

Retired from position: December 2011



Warren J McGregor

Appointed: January 2001

Term expired: June 2011



Tatsumi Yamada

Appointed: January 2001

Term expired: June 2011

Senior staff of the IASB and the IFRS Foundation

IASB senior staff



Alan Teixeira

Senior Director, Technical
Activities



Sue Lloyd

Senior Director, Technical
Activities



Wayne Upton

Director of International
Activities and Chairman of
the IFRS Interpretations
Committee



Peter Clark

Director of Research



Olivier Servais

Director of XBRL Activities



Michael Stewart

Director of
Implementation Activities



Mike Wells

Director of IFRS Education
Initiative

IFRS Foundation senior staff



Yael Almog

Incoming Executive
Director

Start date: April 2012



Mark Byatt

Director of Communications
and External Affairs



Miranda Corti

Director of Operations



David Loweth

Incoming Director for
Trustee Activities

Start date: April 2012

Members of the IFRS Advisory Council

At 31 December 2011

CHAIRMAN	VICE-CHAIRMEN
<p>Paul Cherry Consultant, Canada</p>	<p>Charles Macek Non-Executive Director, Wesfarmers; former Director of Telstra</p> <hr/> <p>Patrice Marteau Chairman, ACTEO; Chairman, Accounting Committee, Business Europe</p>

Represented body	Represented by	Occupation
Accounting Standards Council (Singapore)	Gerard Ee	Chairman, National Kidney Foundation
Associated Chambers of Commerce of India	Narendra Sarda	Chairman, Deloitte Haskins Sells & Affiliates, India
Banking, Finance and Insurance Commission	Michel Colinet	Head of Governance, Accounting and Auditing, National Bank of Belgium
Basel Committee on Banking Supervision	Sylvie Matherat	Deputy Director General, Directorate General Operations, Banque de France
BDO International	Andrew J Buchanan	Global Head of IFRS
Brazilian Association of Listed Companies (ABRASCA)	Geraldo Toffanello	Accounting Director, Gerdau Group
CFA Institute	Sandra Peters	Head, Financial Reporting Policy Group
Corporate Reporting Users' Forum (International)	Norbert Barth	Executive Director, Head of European Chemical Research, WestLB
Council of Institutional Investors	Jeff Mahoney	General Counsel
Deloitte	Joel Osnoos	Global Leader, IFRS Clients and Markets
Ernst & Young	Leo van der Tas	Global Technical Director, IFRS
European Central Bank	Panagiotis Strouzas	Head of Financial Services Policy Division
European Financial Reporting Advisory Group (EFRAG)	Françoise Flores	EFRAG Chairman

Represented body	Represented by	Occupation
European Insurance and Reinsurance Federation (CEA)	Jacques Le Douit	Accounting Research and Development Director, AXA
European Issuers/European Round Table of Industrialists	Christoph Hütten	Senior Vice President and Chief Accounting Officer, SAP AG
European Securities and Markets Authority (ESMA)	Richard Thorpe	Head of Accounting, Audit and Regulatory Reporting Policy, FSA
Fédération Internationale des Experts-Comptables Francophones	Benoît Atangana Onana	Senior Partner and General Manager, African Consulting Enterprise
Financial Executives International (Canada)	Karyn Brooks	Senior Vice President and Controller, Bell Canada Enterprises
Financial Executives International (FEI)	Jamie Miller	Vice President and Controller, General Electric Company
Grant Thornton	April Mackenzie	Global Head of Governance and Public Policy
Group of 100 (Australia)	Judith Downes	G100 Executive
Group of European national standard-setters (France, Germany, Italy and the UK)	Representation rotates annually among the Group. Jérôme Haas, France (for 2011)	President, Autorité des Normes Comptables (France)
Group of North American Insurance Enterprises	Jerry de St Paer	Executive Chairman
Hong Kong Institute of Certified Public Accountants	PM 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 and Research (IAAER)	Holly A Skaife	Professor of Accounting, Wisconsin School of Business
International Corporate Governance Network	Gerben Everts	Compliance Officer, APG Investments

Represented body	Name	Occupation
International Federation of Accountants (IFAC)	Jim Sylph	Executive Director, Professional Standards and External Relations
International Monetary Fund (IMF)	Kenneth Sullivan	Senior Financial Sector Expert
International Organization of Securities Commissions (IOSCO) – developed economies (shared membership)	Thomas Blöink	Head of Accounting Law and Auditing Law, Federal Ministry of Justice of Germany
	Patrick Parent	Executive Director Corporate Accounting and Audit, Autorité des Marchés Financiers
International Organization of Securities Commissions (IOSCO) - emerging economies	Alexsandro Broedel Lopes	Comissioner, Securities and Exchange Commission of Brazil
Investment Company Institute	Donald J. Boteler	Vice President, Operations
Investment Management Association	Liz Murrall	Director of Corporate Governance and Reporting
Investors' Technical Advisory Committee (USA)	Neri Bukspan	Executive Managing Director and Chief Quality Officer, Standard & Poor's
Korean Accounting Standards Board	Chanhong Kim	Vice Chairman
KPMG	Mark Vaessen	Global IFRS network leader
Ministry of Finance (China)	Liu Yuting	Director General of Accounting Regulatory Dept, MoF China, member of CASC
Nippon Keidanren (Japan)	Shozo Yoneya	Corporate auditor, Itochu Corporation
PricewaterhouseCoopers	John Hitchins	Global Chief Accountant
Securities Analysts Association of Japan	Sei-Ichi Kaneko	Executive Vice-President
South Africa Accounting Practices Board	Moses Kgosana	Chairman
South Asian Federation of Accountants	Reyaz Mihular	Chairman, Accounting and Auditing Standards Committee
World Bank	Simon Bradbury	Head of Accounting Policy

OBSERVER ORGANISATIONS

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission

Members of the IFRS Interpretations Committee

At 31 December 2011

Name and affiliation	Term expires	Name and affiliation	Term expires
Luca Cencioni Senior Accounting Manager Eni Adfin SpA Italy	30 June 2014	Margaret M. (Peggy) Smyth Finance Committee Chairman, Martha Stewart Living Omnimedia United States	30 June 2014
Guido Fladt Partner PricewaterhouseCoopers Germany	30 June 2013	Scott Taub Managing Director, Financial Reporting Advisors, LLC, and former Acting Chief Accountant and Deputy Chief Accountant, U.S. Securities and Exchange Commission United States	30 June 2014
Bernd Hacker Professor University of Applied Sciences Rosenheim Germany	30 June 2013	Andrew Vials Partner KPMG LLP UK	30 June 2013
Sara York Kenny Principal Accounting Advisor (Retired) International Finance Corporation United States	30 June 2012	Charlotte Pissaridou Head of Accounting Policy for EMEA (Europe, the Middle East and Africa) and Asia Goldman Sachs UK	30 June 2014
Laurence Rivat Partner Deloitte & Associates (France) France	30 June 2012	Kazuo Yuasa General Manager, IFRS Office, Corporate Finance Unit Fujitsu Limited Japan	30 June 2012
Jean Paré Vice President, Financial Reporting Bombardier Canada	30 June 2014		
Joanna Perry Professional Non Executive Company Director New Zealand	30 June 2014		
Ruth Picker Global IFRS Leader Ernst & Young UK	30 June 2012		
Feilong Li Executive Director, Executive Vice President & CFO China Oil Services Limited People's Republic of China	30 June 2013		
		Non-voting Chairman	
		Wayne Upton Director of International Activities, IASB	
		Official Observers	
		European Commission	
		The International Organization of Securities Commissions (IOSCO)	

Members of the Emerging Economies Group

At 31 December 2011

CHAIRMAN		VICE-CHAIRMAN
Wayne Upton Director of International Activities, IASB		Yang Min Director-General, Accounting Regulatory Department, Ministry of Finance <i>People's Republic of China</i>
Member country	Representative body	Representative
Argentina	Argentine Auditing and Accounting Standards Board (FACPCE)	Jorge José Gil Professor, University of Cuyo, Aconcagua University; General Director of AAASB (FACPCE)
Brazil	Brazilian Accounting Pronouncements Committee (CPC)	Nelson Carvalho Coordinator of International Relations
China	China Accounting Standards Committee (CASC), Accounting Regulatory Department, Ministry of Finance	Yang Min Secretary-General and Director-General
India	Institute of Chartered Accountants of India (ICAI)	Ganapathy Ramaswamy President
Indonesia	Indonesian Accounting Standards Board (DSAK)	Rosita Uli Sinaga Chairperson
Korea	Korea Accounting Standards Board (KASB)	Chanhong Kim Vice-Chairman
Malaysia	Malaysian Accounting Standards Board (MASB)	Tan Bee Leng Technical Director
Mexico	Mexican Financial Reporting Standards Board	Felipe Perez Cervantes Chairman
Russia	Department of Regulations of State Financial Control, Auditing, and Accounting, Ministry of Finance of the Russian Federation	Leonid Shneydman Director
Saudi Arabia	Saudi Organization for Certified Public Accountants (SOCPA)	Ahmed Al Meghames Secretary General
South Africa	South African Institute of Chartered Accountants (SAICA)	Sue Ludolph Project Director
Turkey	Public Oversight, Accounting and Auditing Standards Authority (POAASA)	Seyit Ahmet Ba Chairman

Members of the SME Implementation Group

CHAIRMAN

Paul Pacter
Member, IASB

Name	Affiliation
Africa	
Khaled A Hegazy <i>Egypt</i>	Partner, Crowe Dr. A. M. Hegazy & Co.
Omodele Robert Nicholas Jones <i>Sierra Leone</i>	Chair, Council for Standards of Accounting, Auditing, Corporate & Institutional Governance (CSAAG)
Bruce Mackenzie <i>South Africa</i>	Managing Partner, W Consulting
Frank Timmins <i>South Africa</i>	Head of Risk Management and Professional Standards, Grant Thornton
Asia–Oceania	
Sanath Fernando <i>Sri Lanka</i>	Partner, Ernst & Young
Ying Wei <i>People's Republic of China</i>	Deputy Director-General, Accounting Regulatory Department, Ministry of Finance
Europe	
Kati Beiersdorf <i>Germany</i>	Project Manager, RBS RöverBrönnerSusat
Steven Brice <i>United Kingdom</i>	Financial Reporting Advisory Partner, Mazars
Robin Jarvis <i>United Kingdom</i>	Special Adviser, The Association of Chartered Certified Accountants (ACCA); Professor of Accounting, Brunel University; Policy Adviser, European Federation of Accountants and Auditors for SMEs
Claudia Mezzabotta <i>Italy</i>	Head of IFRS for SMEs Working Group, Ordine dei Dottori Commercialisti ed Esperti Contabili di Milano (ODCEC Milano); Director, Department of Accounting and Financial Reporting Standards (English classes), Scuola di Alta Formazione della Fondazione dei Dottori Commercialisti di Milano
Signe Moen <i>Norway</i>	Partner, PricewaterhouseCoopers
Hugo van den Ende <i>Netherlands</i>	Partner, PricewaterhouseCoopers Accountants N.V. Amsterdam

Name	Affiliation
North America	
Ana Denena <i>United States</i>	Partner, UHY LLP
Thomas J Groskopf <i>United States</i>	Director, Barnes, Dennig & Co., Ltd.
Keith C Peterka <i>United States</i>	Professional Standards Group, Mayer Hoffman McCann P.C.
Latin America/Caribbean	
Artemio Bertholini <i>Brazil</i>	Partner, Directa Auditores, a member firm of PKF International Limited
Andrew F Brathwaite <i>Barbados</i>	Principal, AFB Consulting, Chartered Accountants
Cdor. Hernán P Casinelli <i>Argentina</i>	General Coordinator of IFRS course and the Chartered Public Accounting Program, Universidad Argentina de la Empresa (UADE); Associate member, Gajst & Asociados
Haydeé de Chau <i>Panama</i>	Partner, KPMG
Jorge José Gil <i>Argentina</i>	Professor, University of Cuyo, Aconcagua University; General Director of AAASB (FACPCE)
Ricardo Rodil <i>Brazil</i>	Senior Partner, Baker Tilly Brasil
International	
Henri Fortin	Head, Centre for Financial Reporting Reform, Europe and Central Asia Region, The World Bank
Observers	
European Commission	
European Financial Reporting Advisory Group (EFRAG)	



Live webcast, L-R: Mark Byatt, Director Communications and External Affairs, Alan Teixeira, Senior Technical Director and Stephen Cooper, IASB member during a live webcast

3

Financials

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Management report

The primary mission 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.

International Financial Reporting Standards (IFRSs) are developed by the Foundation through its standard setting body, the International Accounting Standards Board (IASB). IFRSs require high quality, transparent and comparable information in financial statements and other financial reporting to help investors and other users of financial information to make decisions.

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

2011 financial results

As of 31 December 2011, the Foundation's net assets stood at £8.4 million, an increase of 9.2% on the year-end total reported in 2010. These results were in line with the Trustees' expectations that the Foundation would return to budgetary balance in 2011.

The Foundation is reporting a surplus in its operating income in 2011, primarily achieved through a combination of successful fundraising and effective management of operating expenditure throughout the year. Overall expenditure increased in comparison to the previous year, reflecting the demands of a growing international organisation as well as inflationary increases.

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

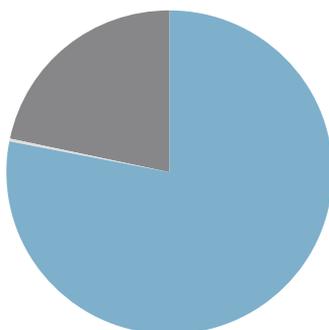
- Total income from all activities saw a 16.1% year-on-year increase in 2011 to £26.1 million (2010: £22.5 million). The Foundation benefited from a substantial 23.6% increase in contributions in 2011 which totalled £20.6 million. Income from publications and related activities remained largely flat, with the Foundation reporting a small decrease in 2011 to £5.5 million (2010: £5.8 million).
- Total operating expenses were £25.7 million in 2011, an increase of 6.5% on the previous year. Increases in the amount paid in salaries and benefits represented a large proportion of this rise in expenditure.
- After accounting for finance income and costs the Foundation finished 2011 with a surplus of £708,000 compared with a loss of £2 million reported in 2010.
- The Foundation received £3 million of contributions in advance for 2012. These funds have been invested in short term deposits.

The following charts show the Foundation's sources of operating income and operating expenses during the reporting period.

2011

SOURCES OF OPERATING INCOME £'000

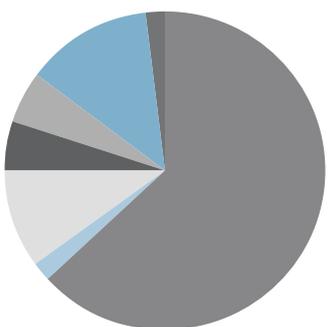
Contributions	20,562
Other income	37
Revenue from publications and related activities	5,522
TOTAL	26,121



2011 SOURCES OF INCOME IN PER CENT

EXPENSES £'000

Salaries, wages and benefits	16,253
Trustees' fees	505
Cost of meetings, associated travel and accommodation	2,542
Occupancy expenses	1,335
Other costs	1,298
Cost of publications and related activities	3,323
Provision for HMRC tax settlement	460
TOTAL	25,716

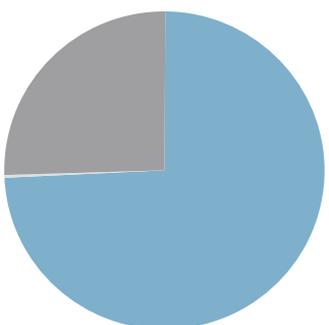


2011 SOURCES OF EXPENSES IN PER CENT

2010

SOURCES OF OPERATING INCOME £'000

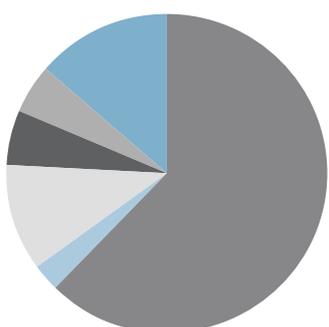
Contributions	16,640
Other income	58
Revenue from publications and related activities	5,804
TOTAL	22,502



2010 SOURCES OF INCOME IN PER CENT

EXPENSES £'000

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



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), see the list of 2011 financial supporters beginning on page 60;
- 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 seeks to maintain a financing regime that enables it to fulfil its mission of establishing a single set of high quality financial reporting standards. At the same time, the Foundation believes that financing should be accomplished in such a way that ensures the independence and objectivity of the IASB's standard-setting process.

The basis of contributions to the Foundation has changed since the organisation's creation. Similar to funding regimes employed at the time by national accounting standard-setters, the Foundation was originally financed through voluntary contributions from over 200 organisations.

The majority of the Foundation's funding is now based on national financing regimes relative to a country's Gross Domestic Product (GDP). While funding mechanisms differ from country to country, in most cases a levy is established on companies or an element of publicly supported financing is provided.

In 2011 the level of contributions exceeded the Foundation's expectations, particularly due to receipt of a €4.25 million (£3.6 million) grant from the European Commission. The Foundation also received higher than expected contributions from several countries including China and Korea.

Publications and related activities

The organisation benefits from the sale of publications and licence fees to those parties wishing to have access to the range of IFRS related materials.

Publications and related revenues decreased 4.9% in 2011 to £5.5 million (2010: 5.8 million) with bound volumes and subscription sales performing below expectations. The 2012 Blue Book (IFRSs currently in effect) sales have been slow since publication in December 2011 but are expected to pick up through 2012 as training companies are expected to begin new courses during the year. Publication expenses remained at 2010 levels.

Expenses

Total operating expenses were £25.7 million in 2011, a 6.5% increase on the previous year. This can be primarily attributed to increased salaries and benefits for standard-setting activities by the Board and technical staff. Costs for the operations staff increased £200,000 over 2010 levels reflecting the Foundation's support for oversight, governance and stakeholder outreach.

These increased costs, associated with the continued growth of the Foundation, equated to an additional £1.1 million. The Foundation also included in operating expenses a £460,000 provision for HMRC tax entitlement, which is discussed in note 13 of the Foundation's management notes to the financial statements.

2012 Outlook

The Foundation expects to maintain a balanced budget whilst meeting the projected targets of the IASB work plan and maintaining the range of services provided. Additional funding is expected in the year ahead, primarily through increases in contributions from new financing regimes.

In particular, the Foundation anticipates higher levels of support from Canada, China, Japan, Russia, the United States and a number of emerging market economies.

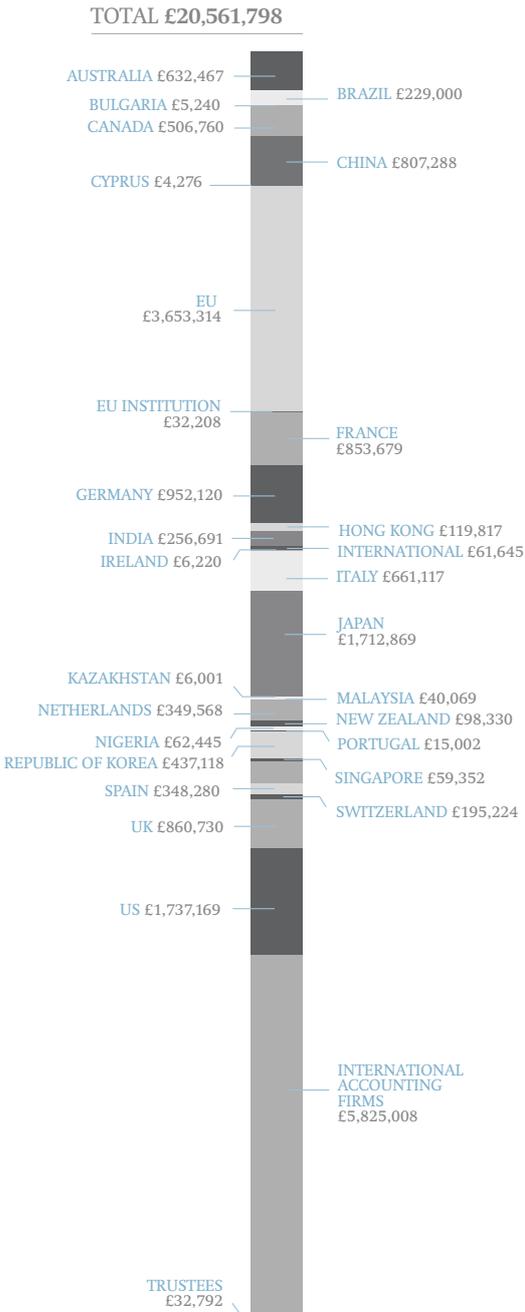
The IFRS Foundation looks forward to further enhancing its global reach with the opening of a new Asia-Oceania office in Tokyo scheduled for October 2012.

The office is being established with the help of the Japanese authorities, who have generously committed 68.5 million Yen (£520,000) towards setup and operating costs as noted in our list of expected financing for 2012 on page 65 of this report.

2011 financial supporters

Chart showing country donation in £s

World map showing donations by country



Key:

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

2011 financial supporters (amounts translated into sterling on date received)

Country	Organisation
Cumulative amount raised by country appears below country name	
AUSTRALIA £632,467	
£100,000 +	Financial Reporting Council
Less than £25,000	Reserve Bank of Australia
BRAZIL £229,000	
£100,000 +	Comitê de Pronunciamentos Contábeis
£25,000 +	Central Bank of Brazil
BULGARIA £5,240	
	Bulgarian National Bank
CANADA £506,760	
£100,000 +	Canadian Institute of Chartered Accountants
Less than £25,000	Office of the Superintendent of Financial Institutions Canada

Country	Organisation
CHINA £807,288	
<i>Through system created by the Ministry of Finance</i>	
£50,000+	Chinese Institute of Certified Public Accountants
	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
CYPRUS £4,267	
	Central Bank of Cyprus
EU £3,653,314	
	European Commission
EU INSTITUTION £32,208	
	European Central Bank
FRANCE £853,679	
	French Ministry of Finance

Country	Organisation	
GERMANY £952,120	<i>Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V, the German standard-setting organisation</i>	
£25,000 +	Adidas AG	Fresenius SE
	Allianz SE	Henkel KGaA
	BASF SE	K+S AG
	Bayer AG	Linde AG
	Beiersdorf AG	Merck KGaA
	BMW AG	METRO AG
	Commerzbank AG	Münchener Rück
	Daimler AG	Robert Bosch GmbH
	Deutsche Bank AG	RWE AG
	Deutsche Lufthansa AG	SAP AG
	Deutsche Post AG	Siemens AG
	Deutsche Telekom AG	Volkswagen AG
	E.ON AG	

Country	Organisation	
GERMANY continued Less than £25,000	Aareal Bank AG	Hannover Rückversicherung AG
	Aixtron AG	Heidelberger Druckmaschinen AG
	Alstria Office	Hornbach Holding AG
	Altana AG	HSBC Trinkaus & Burkhardt AG
	Axel Springer AG	HSH Nordbank AG
	Balda AG	Hypo Real Estate Holding AG
	Bauer AG	KfW Bankengruppe
	Bilfinger Berger SE	Landesbank Hessen-Thüringen Girozentrale
	Continental AG	Lanxess AG
	CropEnergies AG	Lloyd Fonds AG
	DekaBank	MTU Aero Engines Holding AG
	Demag Cranes	MVV Energie AG
	Deufol AG	Norma Group
	Deutsche Beteiligungs AG	Praktiker AG
	Deutsche Postbank AG	Progress-Werk Oberkirch AG
	Dürr AG	Qiagen GmbH
	Epcos AG	QSC AG
	Epigenomics AG	Sal. Oppenheim jr. & Cie. AG & Co. KGaA
	Evonik Industries AG	Salzgitter AG
	Fielmann AG	SGL Carbon AG
	Fuchs Petrolub AG	Südzucker AG
	Gagfah Group	TAKKT AG
	Generali Deutschland Holding AG	TUI AG
	Gerresheimer AG	Wacker Chemie AG
	Grammer AG	WireCard AG
	GSW Immobilien AG	

Country	Organisation
HONG KONG £119,817	
£50,000 +	Hong Kong Exchanges & Clearing Ltd.
£25,000 +	Hong Kong Securities and Futures Commission
Less than £25,000	Hong Kong Monetary Authority
INDIA £256,691	<i>Contributions made through Stock Exchanges</i>
£100,000 +	National Stock Exchange of India Limited
	Bombay Stock Exchange Limited
INTERNATIONAL £61,645	Bank for International Settlements
IRELAND £6,220	Central Bank & Financial Services Authority of Ireland
ITALY £661,117	Organismo Italiano de Contabilità
JAPAN £1,712,869	Financial Accounting Standards Foundation
KAZAKHSTAN £6,001	National Bank of Kazakhstan
MALAYSIA £40,069	Malaysian Accounting Standards Board
NETHERLANDS £349,568	
£100,000 +	Ministry of Finance
Less than £25,000	De Nederlandsche Bank
NEW ZEALAND £98,330	External Reporting Board
NIGERIA £62,445	Financial Reporting Council of Nigeria
PORTUGAL £15,002	Banco de Portugal

Country	Organisation
REPUBLIC OF KOREA £437,118	<i>Contributions organised through Korea Accounting Standards Board</i>
£25,000 +	Financial Supervisory Service
	Samsung Electronics
	Samsung Heavy Industries Co., Ltd.
Less than £25,000	Deloitte Anjin
	Doosan Heavy Industries & Construction
	Ernst & Young Han Young
	GS Caltex
	Hana Financial Group Inc.
	Industrial Bank of Korea
	KB Financial Group Inc.
	KCC Corporation
	Korea Institute of Certified Public Accountants
	KT Corporation
	Lotte Shopping Co., Ltd
SINGAPORE £59,352	
£50,000	Ministry of Finance
Less than £25,000	Monetary Authority of Singapore
SPAIN £348,280	Bolsas y Mercados Españoles
SWITZERLAND £195,224	
£50,000 +	Swiss Bankers Association
£25,000 +	Petroplus (SIX Exchange Regulation)

Country	Organisation	
UNITED KINGDOM £860,730	<i>Levy system organised by Financial Reporting Council</i>	
UNITED STATES OF AMERICA £1,737,169		
£300,000 +	Financial Accounting Foundation	
£100,000 +	Bank of America	Citigroup
	Goldman Sachs Group Inc	J P Morgan Chase
	Morgan Stanley	
£50,000 +	CFA Institute	Cisco
	ExxonMobil	IBM
	Microsoft Corp	Oracle
	Pfizer Inc	TIAA-CREF
£25,000 +	Board of Governors of the US Federal Reserve System	Coca-Cola Company (The)
	ConocoPhillips	General Motors
	PepsiCo	Procter & Gamble
Less than £25,000	DuPont	Financial Executives International
	Merck & Co Inc	United Technologies

International Accounting Firms		
£5,825,008		
(US\$2.25 million each)	Deloitte & Touche	KPMG
	Ernst & Young	PricewaterhouseCoopers
£50,000 +	BDO (Brussels Worldwide Services bvba (US\$150,000)	Grant Thornton (US\$150,000)
	Mazars (US\$100,000)	

Trustees	
£32,792	Two Trustees waived their fees, which have been accounted as contributions (Scott Evans, Oscar Fanjul)

Expected financing for 2012

Country/type of contributor	Organised by	Arrangements and latest status	Anticipated amount in local currency*	Anticipated sterling amount
EUROPE				
EUROPEAN UNION				
European Union	European Commission	Direct payment from EU budget on behalf of the European Union on an annual basis until 2013	€4,250,000	3,687,867
EU member states	National contributions to supplement EU-wide contribution	Systems organised by Netherlands Ministry of Finance, Organismo Italiano de Contabilità, Bolsas y Mercados de Españoles, German Accounting Standards Committee, UK Financial Reporting Council and the French Ministry of Finance	€2,566,000	2,226,064
National contributions may rise depending upon continued discussions.				
NON-EU				
Switzerland	Swiss Business Associations	Contributions collected by Swiss business associations	US\$98,000 CHF150,000	175,461
Norway	Funding through Norsk Regnskapsstiftelse (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
AMERICAS				
United States	Individual companies	Voluntary system; further discussions with US ongoing	US\$5,039,000	3,167,169
Canada	Canadian Institute of Chartered Accountants, the body that houses the Canadian standard-setter	Direct contributions on behalf of Canada	CAN\$1,000,000 US\$15,000	635,693
Brazil	Comité de Pronunciamentos Contábeis and BNDES	Direct contributions on behalf of Brazil	US\$305,000 £200,000	392,020
ASIA-OCEANIA				
Japan	Financial Accounting Standards Foundation	Levy-like system for Japanese companies	US\$2,800,000	1,760,025
	Financial Accounting Standards Foundation	Restricted contribution for the establishment of the Asia-Oceania office	JPY68,500,000	520,000
China, excluding Hong Kong SAR	China Accounting Standards Committee, Ministry of Finance	Contributions arranged by the Ministry of Finance	US\$1,872,000	1,176,583
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	654,596
Korea	Korea Accounting Standards Board	Contributions arranged by the Korea Accounting Standards Board	US\$700,000	440,006
India	Major stock exchanges	Direct contributions on behalf of India	US\$400,000	251,432
Hong Kong SAR, China	Hong Kong securities regulator and monetary authority and stock exchange	Direct contributions on behalf of Hong Kong	US\$195,000	122,573
New Zealand	External Reporting Board	Direct contribution on behalf of New Zealand	NZ\$200,000	104,625

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
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ASIA-OCEANIA continued

Singapore	Monetary Authority of Singapore and Ministry of Finance	Direct contribution on behalf of Singapore	US\$15,000 £50,000	59,429
Malaysia	Malaysian Accounting Standards Board	Direct contribution on behalf of Malaysia	US\$65,000	40,858

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

AFRICAS

South Africa	Financial Reporting Council	Contribution raised through levies	US\$70,000	44,001
Nigeria	Financial Reporting Council of Nigeria	Direct contribution on behalf of Nigeria	US\$100,000	62,858

CENTRAL BANKS AND INTERNATIONAL ORGANISATIONS

Central banks and international organisations	Various bodies	Contributions on behalf of central banks	US\$344,000 £29,000 €5,000	249,256
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INTERNATIONAL ACCOUNTING FIRMS

Deloitte, Ernst & Young, KPMG and Pricewaterhouse Coopers	Direct payments	Voluntary contributions	US\$2,250,000 each	5,657,225
BDO and Grant Thornton	Direct payments	Voluntary contributions	US\$150,000 each	188,574
Mazars	Direct payments	Voluntary contributions	US\$100,000	62,858

CONTRIBUTIONS UNDER DISCUSSION

Ongoing discussions with a number of other countries may result in a further total contribution of up to £370,000

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 2011 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes.

The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs). 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 Foundation's Trustees are responsible for the preparation of the financial statements in accordance with 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 2011 and of its comprehensive income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.



BDO LLP
Chartered Accountants, London
13 April 2012

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 2(m)	2011 £'000	2010 £'000 Restated
INCOME			
Standard-setting and related activities			
Contributions	3	20,562	16,640
Other income		37	58
		20,599	16,698
Publications and related activities			
Revenue	4(a)	5,522	5,804
		26,121	22,502
EXPENSES			
Standard-setting and related activities			
Salaries, wages and benefits	5	(16,253)	(15,089)
Trustees' fees	6	(505)	(639)
Cost of meetings, associated travel and accommodation	7	(2,542)	(2,629)
Occupancy expenses	8(a)	(1,335)	(1,319)
Other costs	9	(1,298)	(1,221)
Provision for HMRC tax settlement	13	(460)	-
		(22,393)	(20,897)
Publications and related activities			
Direct cost of publications and related activities	4(b)	(3,323)	(3,246)
		(25,716)	(24,143)
OPERATING INCOME (LOSS)		405	(1,641)
Finance income	10(a)	577	866
Finance costs	10(a)	(274)	(1,236)
		708	(2,011)
INCOME (LOSS) BEFORE TAX		708	(2,011)
Income tax expense	11	-	(13)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		708	(2,024)

Statement of changes in equity

YEAR ENDED 31 DECEMBER			
Retained surplus at beginning of year		7,707	9,731
Comprehensive income (loss) for the year		708	(2,024)
RETAINED SURPLUS AT END OF YEAR		8,415	7,707

Statement of financial position

AS AT 31 DECEMBER	Notes	2011 £'000	2010 £'000
ASSETS			
Current assets			
Cash and cash equivalents	10(b)	6,997	2,360
Accrued interest receivable on bonds		146	162
Contributions receivable	3	1,808	1,150
Trade and other receivables	10(d)	963	934
Prepaid expenses		567	585
Inventories	12	249	293
Bonds	10(c)	3,257	1,199
Forward currency contracts at fair value	10(e)	112	-
		14,099	6,683
Non-current assets			
Bonds	10(c)	1,395	4,784
Forward currency contracts at fair value	10(e)	128	-
Leasehold improvements, furniture and equipment	8(b)	518	539
		2,041	5,323
TOTAL ASSETS		16,140	12,006
LIABILITIES			
Current liabilities			
Trade and other payables		813	948
Accrued expenses	13	1,860	1,260
Contributions received in advance	3	2,991	-
Rent incentive		82	82
Publications revenue received in advance		728	651
Forward currency contracts at fair value	10(e)	169	241
		6,643	3,182
Non-current liabilities			
Forward currency contracts at fair value	10(e)	195	154
Reinstatement provision	8(c)	413	413
Rent incentive		474	550
		1,082	1,117
TOTAL LIABILITIES		7,725	4,299
NET ASSETS		8,415	7,707

The notes on pages 72-82 form part of these financial statements.

The financial statements on pages 69 to 71 were approved by the Trustees of the IFRS Foundation on 13 April 2012 and authorised for issue on 13 April 2012.

Michel Prada
Chairman of the Trustees

Statement of cash flows

YEAR ENDED 31 DECEMBER	Notes	2011		2010	
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Cash received					
Contributions		22,895		16,509	
Interest		252		317	
Publications and related activities		5,977		5,524	
Income taxes received		-		46	
Other receipts		32		53	
Cash paid					
Salaries, wages and benefits		(15,685)		(15,111)	
Publications direct costs		(3,226)		(3,412)	
Trustees' fees		(523)		(494)	
Foreign exchange settlements		(109)		(639)	
Other expenses		(6,023)		(4,860)	
NET CASH FROM OPERATING ACTIVITIES			3,590		(2,067)
INVESTING ACTIVITIES					
Mature bonds receipts		1,191		1,504	
Purchase of leasehold improvements, furniture and equipment		(189)		(202)	
NET CASH INCREASES FROM INVESTING ACTIVITIES			1,002		1,302
Effects of exchange rate changes on cash and cash equivalents			45		2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			4,637		(763)
Cash and cash equivalents at the beginning of the period			2,360		3,123
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10(b)		6,997		2,360

The notes on pages 72-82 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.

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 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), though 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 comprised of public capital market authorities provides a formal link between the Trustees and public authorities.

In addition to their general oversight functions, the Trustees appoint the members of the IASB and related bodies, and are responsible for the financial and legal arrangements of the organisation. The IASB has the responsibility for setting accounting standards in accordance with its mandate and the due process set out in the 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 some 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 fair 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 is comprised of printing, salaries, promotion, computer and various related overhead costs.

(d) Inventories

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

(e) Depreciation

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

(f) Foreign currency translation

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

The IFRS Foundation's lease of office space is classified and accounted for as an operating lease as a significant portion of the risks and rewards of ownership are retained by the lessor. Lease payments for office space are recognised as an expense on a straight-line basis over the non-cancellable term of the lease.

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 those 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 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 2011. The IFRS Foundation has concluded that there are no relevant standards or interpretations in issue not yet adopted.

(m) Reclassification of items in the financial statements

The IFRS Foundation receives interest income on bonds and cash held at bank. Previously interest income was included within income from standard-setting and related activities and the gains and loss on the fair value of the related financial instruments were presented net. In order to give a clearer view of operating performance the presentation has been changed and interest income is now shown within finance income, with interest on bonds included within the fair value change on these financial instruments, and gains and losses on the fair value of the related financial instruments are presented gross, showing finance income and finance costs separately.

The effect of this re-presentation is a decrease of 2010 interest income previously recognised in income from standard-setting and related activities of £271,000, of which £258,000 related to bond interest income, and a corresponding increase to net finance costs. Note 10(a) shows the changes arising from the presentation of gains and losses on the fair value of the financial instruments as gross.

As the change has no effect on the statement of financial position, the earliest comparative period has not been presented here.

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 IFRS Foundation's finances are 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 £20,562,000 in contributions (2010: £16,640,000).

Contributions received before 31 December 2011, amounting to £2,991,000 (2010: £nil), which were specifically designated by the contributors for use by the IFRS Foundation in subsequent years, were recognised as current and non-current liabilities, depending upon the designation by the contributor. Contributions received after 31 December 2011, amounting to a total of £1,808,000 (2010: £1,150,000), specifically designated by the contributors for use by the IFRS Foundation in 2011, were recognised as revenues at the end of 2011 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

	2011 £'000	2010 £'000
Sales of subscriptions and publications	3,260	3,641
Royalties and permission fees	2,031	1,862
Other related activities	231	301
TOTAL	5,522	5,804

(b) Publications and related costs

	2011 £'000	2010 £'000
Staff/employee related costs	1,666	1,569
Costs of goods sold	577	514
Depreciation	39	28
Other costs	1,041	1,135
TOTAL	3,323	3,246

5. Salaries, wages and benefits

The IFRS Foundation had an average of 125 employees (including IASB members and interns) during 2011 (2010: 119).

	2011		2010	
	£'000	£'000	£'000	£'000
Staff costs, including IASB members' salaries and other costs	15,592		14,360	
Contributions to defined contribution pension plans	626		693	
Other costs	35		36	
		16,253		15,089
Staff costs included in publications direct expenses (see note 4)				
Salaries and other costs	1,538		1,463	
Contributions to defined contribution pension plans	91		91	
Other costs	37		15	
		1,666		1,569
TOTAL		17,919		16,658

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. Effective April

2011, the Trustees approved annual remuneration levels resulting in the following gross salaries: £527,200 for the IASB Chair (2010: £490,600); £464,900 for the IASB Vice Chair (2010: nil), and; an average of £435,200 for other full-time members (2010: £426,600).

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 20 Trustees in 2011 (2010: 21). In 2011 the fee for the Acting Co-Chairmen and Vice Chairmen of the Trustees was £100,000 (2010: £137,500 for the Chairman of the Trustees). In 2010, the Chairman waived fees of £37,500 and it was included as a contribution. The annual fee for the other Trustees was £12,500 (2010: £12,500). Trustees received an attendance fee of £1,000 (2010: £1,000) for each formal meeting.

7. Cost of meetings, associated travel and accommodation

MEETING TYPE	2011 £'000	2010 £'000
IASB	308	407
Trustees	536	536
IFRS Interpretations Committee and IFRS Advisory Council	409	401
Financial Crisis Advisory Group	-	13
Other advisory meetings	636	544
Travel for other consultation and liaison	653	728
TOTAL	2,542	2,629

8. Occupancy expenses and other assets

(a) Occupancy expenses

	2011 £'000	2010 £'000
Rent	702	696
Service charges	208	205
Rates, insurance and energy	456	439
Depreciation	210	185
Other	23	33
	1,599	1,558
Less amounts included in publications costs	(264)	(239)
TOTAL	1,335	1,319

(b) Leasehold improvements, furniture and equipment

	Leasehold improvements £'000	Furniture, equipment £'000	TOTAL £'000
COST			
At 1 January 2011	1,028	1,143	2,171
Additions	45	144	189
Disposals/retirements	-	(241)	(241)
At 31 December 2011	1,073	1,046	2,119
ACCUMULATED DEPRECIATION			
At 1 January 2011	777	855	1,632
Charge for the year	36	174	210
Disposals/retirements	-	(241)	(241)
At 31 December 2011	813	788	1,601
NET CARRYING AMOUNT AT 31 DECEMBER 2011	260	258	518
NET CARRYING AMOUNT AT 31 DECEMBER 2010	251	288	539

At the reporting date the IFRS Foundation had no capital commitments (2010: £nil).

(c) Reinstatement provision

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

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

(d) Lease commitments

Lease commitments relate to operating leases for office space with lease terms expiring in September 2018 in London and 2022 in Tokyo, and with options to extend for a further 10 years in London. All operating lease contracts contain market review clauses. Payments on the leases, excluding service charges and property rates, are as follows:

PAYMENTS	2011 £'000	2010 £'000
Within one year	798	778
In two to five years	3,437	3,113
More than five years	1,827	2,138
TOTAL	6,062	6,029

The IFRS Foundation has entered a preliminary agreement for a 10 year lease of office space in Tokyo commencing October 2012. 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 on-going rent and a provision of 90 days' notice of termination.

9. Other costs

	2011 £'000	2010 £'000
Communication & Technology	528	445
Audit, legal and taxation fees	211	131
External relations	116	209
Recruitment	124	193
Others	319	243
TOTAL	1,298	1,221

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 IFRS 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) Finance income and finance costs

FINANCE INCOME	2011 £'000	2010 £'000
Interest income- deposits	9	13
Fair value change on forward foreign exchange contracts	481	651
Fair value change on bonds	87	202
TOTAL	577	866

FINANCE COSTS	2011 £'000	2010 £'000
Fair value change on forward foreign exchange contracts	(210)	(599)
Excngange losses	(64)	(637)
TOTAL	(274)	(1,236)

(c) 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.

(b) 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.

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 and fair value of the bonds are as follows:

	Nominal value 2011 £'000	Nominal value 2010 £'000	Fair value 2011 £'000	Fair value 2010 £'000
Less than one year	3,232	1,191	3,257	1,199
Total current	3,232	1,191	3,257	1,199
More than one year and less than two years	703	3,259	725	3,385
More than two years and less than three years	642	704	670	725
More than three and less than four years	-	658	-	674
More than four and less than five years	-	-	-	-
Total non-current	1,345	4,621	1,395	4,784
TOTAL	4,577	5,812	4,652	5,983

Bonds provide a yield in the range of 0.4% to 2.2% per year.

(d) Trade and other receivables

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: it has only one customer that exceeds 3 per cent of the IFRS Foundation’s revenues, amounting to £323,000 or 6 per cent.

	2011 £'000	2010 £'000
Not yet due	918	895
Past due but not impaired	45	39
TOTAL	963	934

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 2011 the amount provided for was £19,000 (2010: £13,000).

(e) Currency risk

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

funding 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

	Buy £'000	2011 Sell \$'000	Weighted average rate	Buy £'000	2010 Sell \$'000	Weighted average rate
2011	-	-	-	7,300	11,790	1.615
2012	7,009	11,150	1.591	7,009	11,150	1.591
2013	8,502	13,500	1.588	-	-	-
TOTAL	15,511	24,650	1.589	14,309	22,940	1,603

Forward contracts euro

	Buy £'000	2011 Sell €'000	Weighted average rate	Buy £'000	2010 Sell €'000	Weighted average rate
2012	2,864	3,300	1.152	-	-	-
2013	2,870	3,300	1.150	-	-	-
TOTAL	5,734	6,600	1.151	-	-	-

The ranges of rates for the US dollar are 1.5635 – 1.6175 (2010: 1.5819 – 1.6348). The ranges of rates for the euro are 1.1493 – 1.1530.

The fair values of these contracts, based on quoted prices in active markets (described as level 1 by IFRS 7), are reported in the Statement of Financial Position. All non-current forward contracts expire in 2013 (2010: expire in 2012).

(f) 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	24,650		
Profit (loss) effect before tax		(1,764)	1,443
Euro	6,600		
Profit (loss) effect before tax		(611)	499
TOTAL		(2,375)	1,942

The IFRS Foundation holds sufficient US dollar funds in anticipation of US dollar liabilities. Over the year the US dollar exchange rate reached a high of 1.65 to sterling, whilst the low point was 1.53 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	3,021		
Profit (loss) effect before tax		218	(178)
Euro	1,253		
Profit (loss) effect before tax		116	(95)
TOTAL		334	(273)

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 2011 the taxation expense is calculated on this basis, and is estimated to be £nil (2010: £13,000). On the basis of activity for 2011 and from previous years, at the end of 2011 the IFRS Foundation is carrying forward a loss for UK tax purposes of £2,728,000 (2010: £1,742,000). Consistent 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. Inventories

Inventory of books amount to £249,000 (2010: £293,000).

13. Provision for HMRC Tax settlement

In May 2011 the IFRS Foundation began a review by the UK tax authority (HMRC) of records for inward bound expatriate staff and general compliance with employment tax i.e. income tax and national insurance obligations. As a result, discussions are progressing and a final liability has not been assessed by the HMRC. The HMRC requested and the IFRS Foundation agreed to make a £24,000 dedicated payment on account, on a without prejudice basis, pending final resolution and settlement. An estimated total cost of £460,000 has been provided and the net liability of £436,000 is included in accrued expenses.

14. Approval of financial statements

These financial statements were approved by the Trustees of the IFRS Foundation on 13 April 2012 and authorised for issue on 13 April 2012, and at that date there were no significant events after the reporting period.



The Trustees thank all employees and contributors to the work of the IFRS Foundation for their dedication and efforts throughout 2011.

MEMBERS OF THE IASB AND STAFF OF THE FOUNDATION WHO SERVED DURING 2011 OR EARLY 2012. E&OE

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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