

IFRS Foundation®

Annual Report 2012

A new chapter in global financial reporting



Mission

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.

Three-tier structure

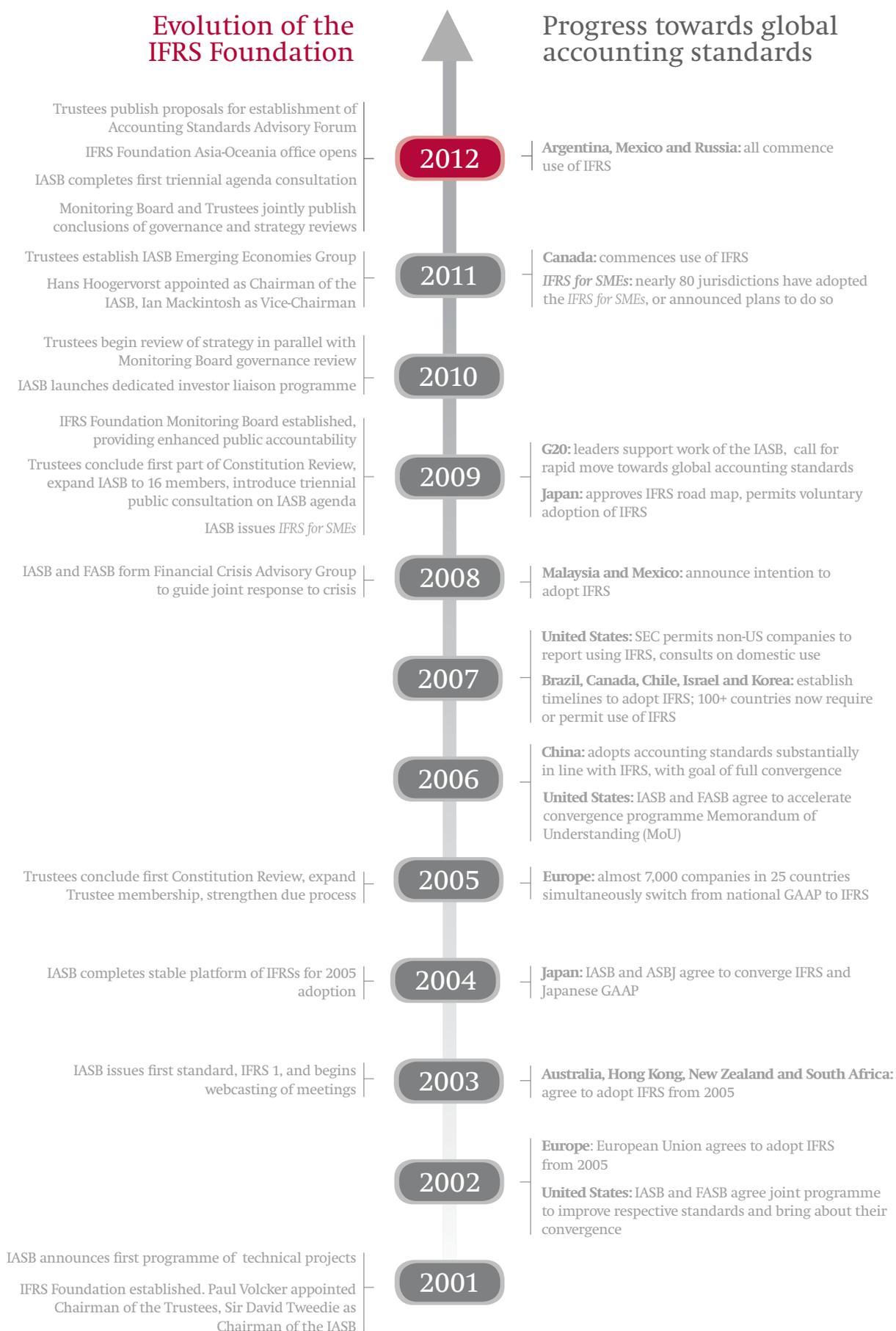


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Evolution of the IFRS Foundation

Progress towards global accounting standards



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IFRS Foundation

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Report of the Chairman of the Monitoring Board

The Monitoring Board was created in January 2009 with the aim to “provide a formal link between the Trustees and public authorities”, so that the public accountability of the IFRS Foundation would be enhanced.



MASAMICHI KONO
CHAIRMAN
IFRS FOUNDATION MONITORING BOARD

The current governance structure of the IFRS Foundation is laid out in its Constitution. It involves an independent standard-setting body, the IASB, overseen by the Trustees of the IFRS Foundation, who are in turn accountable to a body of public capital markets authorities, the Monitoring Board. This structure is designed to respond to two different objectives: ensuring that the process of standard-setting is independent of undue external pressure so as to promote investor confidence in the objectiveness of the standards; and also to secure public accountability of the standard-setter, so as to make it answerable to affected parties.

To accomplish its mission, the Monitoring Board, which consists of capital markets authorities responsible

for setting the form and content of financial reporting, meets regularly with the IFRS Foundation Trustees and serves as a mechanism for formal interaction between the capital markets authorities and the IFRS Foundation. This mechanism is intended to facilitate the ability of capital market authorities that use IFRSs in their jurisdictions to effectively discharge their mandates relating to investor protection, market integrity and capital formation.

A major recent achievement of the Monitoring Board was the publication of the final report regarding the review of the IFRS Foundation’s governance in February 2012 (the Governance Review). This report was the result of a review undertaken by the Monitoring Board since 2010 of the IFRS Foundation’s governance arrangements. The fundamental question was whether the existing governance arrangements effectively promote the mission of the IASB in developing high quality, global accounting standards, which should be assessed against the two essential attributes required of the standard-setting process: accountability and independence. This Governance Review was conducted in parallel with the Strategy Review undertaken by the Trustees of the IFRS Foundation.

This final report identified a number of enhancements to the governance framework of the IFRS Foundation, and

included an action plan for their implementation. A key decision was to expand the Monitoring Board’s membership to include additional authorities primarily from major emerging markets (a maximum of four, and not necessarily all added immediately) and also to establish a mechanism to allocate two rotating seats in consultation with the International Organization of Securities Commissions (IOSCO). Another decision was to enhance the visibility and transparency of the Monitoring Board.

In line with this action plan, the Monitoring Board has now commenced a process for selecting new members in accordance with the Monitoring Board membership criteria, and also for assessing existing members against those criteria. This work is scheduled to be completed in 2013. Measures to enhance visibility and transparency of the Monitoring Board will be developed and implemented as soon as practicable.

As efforts toward developing a single set of high quality, global accounting standards continue, the Monitoring Board will be expected to play a greater role in ensuring proper governance over the standard-setting process at the IFRS Foundation. This year will be critical in our efforts towards meeting this challenge.

河野正道

Masamichi Kono
Chairman
IFRS Foundation Monitoring Board

Members of the Monitoring Board

At 31 December 2012

Monitoring Board Members

Masamichi Kono, Chairman¹

Chairman of the IOSCO Board; Vice-Commissioner for International Affairs of the Japanese Financial Services Agency (JFSA)

Ryutaro Hatanaka

Commissioner of the JFSA

Elisse Walter

Chairman of the US Securities and Exchange Commission

Michel Barnier

Commissioner for Internal Market and Services, European Commission

Greg Medcraft

Representative of the IOSCO Board, Chairman of the Australian Securities and Investments Commission

Vedat Akgiray

Representative of the IOSCO Emerging Markets Committee (Chairman), Vice-Chairman of the IOSCO Board; Advisor of the Capital Markets Board of Turkey

Observer

Sylvie Matherat

Representative of the Basel Committee on Banking Supervision

¹ Confirmed as permanent Chairman in February 2013

Report of the Chairman of the IFRS Foundation Trustees

The theme of this Annual Report is ‘a new chapter’. The first chapter took place between 2001 and 2011, when the organisation was in its start-up phase. The second chapter, which began in 2012, will be characterised by consolidating and building on the successes of the first chapter.



MICHEL PRADA
CHAIRMAN
IFRS FOUNDATION TRUSTEES

First chapter

The first ten years of our history was as an innovative international start-up. In the course of history, most international arrangements have been determined top-down through negotiated treaties, with varying degrees of success. In contrast, the path chosen for the IFRS Foundation was to create a global language of financial reporting, bottom-up, through market-driven global co-operation. Before the IASB set about its work, financial reporting was the preserve of national authorities, either as functions of the government or as independent national standard-setting entities. While the International Accounting Standards Committee (IASC) had been in existence since 1973, there was no template for

creating an international standard-setter that issued words that would be written into law verbatim by nations of the world. While national authorities could easily build an appropriate governance structure in which a national standard-setter could operate, it was much more difficult in an international context.

As globalisation developed, there was an obvious need for an international language for cross-border listed companies and an awareness that the most efficient way forward was to build on what had already been achieved. In 2000, IOSCO endorsed the IASC’s improved set of core Standards and the transformation of the part-time IASC into the full-time IASB.

However, many questions remained. To whom should the Trustees be publicly accountable? How could a single set of Standards be applied on a consistent basis across diverse economies around the world? How should the IASB ensure that stakeholders internationally were fully integrated into its standard-setting process?

Over the past ten years, answers to those questions and more have been carefully and methodically worked through. Two Constitution reviews, two Strategy Reviews and one Monitoring Board Governance Review have, together, resulted in a structure that is very much fit for purpose,

with world-class levels of consultation, stakeholder engagement and transparency. Our three-tier governance model delivers the correct balance between independence and public accountability. The IASB is the independent standard-setter, the Trustees are responsible for governance and strategy, while the Monitoring Board, composed of public authorities, provides necessary public accountability.

Remarkable progress has been achieved during these first ten years. In the early days, momentum was provided by Europe’s decision to adopt IFRS and the decision of the IASB and the FASB to work together to improve and converge their respective Standards. Today, more than 100 countries require or permit the use of IFRS.

The financial crisis has added increased urgency to this work. Repeated G20 communiqués have supported the work of the IASB and called for a rapid move to a single set of high quality accounting standards.

Second chapter

After this first decade of success, 2012 marked the beginning of a new chapter in the history of the organisation. In February 2012, the Trustees and the Monitoring Board published separate, but co-ordinated, reviews of the strategy and governance arrangements for the IFRS Foundation



respectively. Taken together, the reviews presented a blueprint for IFRS to become global accounting standards and the IASB to become a truly global accounting standard-setter.

Throughout 2012, the IFRS Foundation has worked hard to implement all of these recommendations. Dialogue with the global standard-setting community has been significantly enhanced through the creation of the Accounting Standards Advisory Forum (ASAF), which met for the first time in April 2013. The ASAF will help the IASB to formalise and rationalise its relationships with the global accounting standard-setting community. It provides a mechanism that permits this important community to come together and work in close co-operation with the IASB as it develops the next generation of accounting standards.

The completion of the review of the IFRS Interpretations Committee (the Interpretations Committee) has resulted in a more nimble and responsive interpretations function, with a better set of tools by which it can discharge its responsibility to address divergence in practice in order to deliver high levels of consistency in the use of IFRS globally.

The recent updates to the *Due Process Handbook* institutionalise what many consider to be best practice in global

public consultation and collaborative development. In addition, the opening in Tokyo of the IFRS Foundation's first international office will support the entire Asia-Oceania region and serves as a clear indication of our commitment to fully support all regions of the world.

Finally, the separation of the roles of Chairman of the IASB and CEO of the IFRS Foundation, and the appointment of Yael Almog as Executive Director to assume the responsibilities of the CEO, completes the implementation of the recommendations of the governance review that were relevant to the IFRS Foundation.

After ten years of innovation, establishing new methods of working and creating entirely new structures, the organisation has matured. As we enter the second chapter in the history of the organisation we are able to make incremental enhancements rather than wholesale change. The organisation feels more comfortable with itself and its role as a global accounting standard-setter. Furthermore, the global accounting standard-setting community is working in closer co-operation, both at an international level through the International Forum of Accounting Standard Setters as well as through regional standard-setting groups.

For 2013, our priorities are threefold. First, we will work to ensure that the initiatives resulting from the strategy and governance reviews are fully bedded in. Second, we will work in close co-operation with the Monitoring Board and others to further develop the long-term funding arrangements for the organisation. Third, we will undertake several initiatives to encourage the adoption and consistent application of IFRS globally. These include the development of country and jurisdictional profiles on the use of IFRS, which are to be published and maintained on the IFRS website.

While many challenges remain, all of these developments have served to establish a platform for a second decade of success, allowing the organisation to begin a new chapter in its history. Our mission, endorsed by the G20 and every international organisation with responsibility for aspects of the global financial system, is to develop a global language of financial reporting. Thanks to the innovations of the last ten years, we are well placed to achieve that goal.

Michel Prada
Chairman of the IFRS Foundation
Trustees

2012 Activities

The following section outlines how we have accomplished some of our major priorities in 2012.

In 2012 the Trustees met in Brussels, London, Singapore and Washington. In parallel with each meeting, the Trustees co-hosted, with a local partner, an event to meet and exchange views with senior stakeholders from that jurisdiction.

A number of new developments took place as a follow-up to the Strategy Review that was prepared in 2011.

Progress towards IFRS as global accounting standards

IFRS is required or permitted for use by more than 100 countries. Half of all Fortune Global 500 companies now report using IFRS. Among the G20 countries, IFRS was required for use for the first time during 2012 in Argentina, Mexico and Russia, while Saudi Arabia made further steps towards IFRS adoption.

Governance and Strategy Reviews published

In February 2012 the Monitoring Board and the Trustees of the IFRS Foundation jointly announced the conclusions of their separate reviews of the governance and strategy of the IFRS Foundation respectively.

Recommendations on the efficiency and effectiveness of the Interpretations Committee

In May, the Trustees published their findings following a review of the efficiency and effectiveness of the Interpretations Committee. The conclusions of the review are consistent with the recommendations of the Trustees' Strategy Review, which advocated that the IASB should take a more prominent role in the consistent application of its Standards. The Interpretations Committee fulfils an important function in this work.

The primary recommendations of the review were:

- that a broader range of 'tools' should be deployed by the Interpretations Committee, enabling it to be more responsive to requests for assistance;
- to revise the criteria used to determine which issues the Interpretations Committee should take action on;
- to improve the Interpretations Committee's communications on issues that it decides not to address; and
- to expand the Interpretations Committee's outreach and the transparency surrounding its decisions about which issues to address.

Creation of the ASAF

In November, proposals to create a new advisory group to the IASB were published for public comment. The group is known as the ASAF and will provide technical advice and feedback to the IASB.

The ASAF consists of national accounting standard-setters and regional bodies with an interest in financial reporting. The creation of such an advisory group was one of the main recommendations of the Trustees' Strategy Review. The ASAF met for the first time in April 2013.

Opening of the regional office in Asia-Oceania

November 2012 saw the opening of the first international office outside of London for the IFRS Foundation. The office, based in Tokyo, provides support to the entire Asia-Oceania region for matters related to the development, adoption and consistent application of IFRS in that area.

The office provides the IASB with a local presence in the Asia-Oceania region, supporting greater regional outreach and encouraging local participation in the IASB's standard-setting activities.

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Number of nationalities represented among the 138 staff members.

The office is expected to play a major role in the IFRS Foundation's efforts to ensure that input from the Asia-Oceania region is fed directly into the IASB's due process from an early stage.

Publication / Proposed enhancements to the IFRS Foundation's *Due Process Handbook*

The *Due Process Handbook* describes the steps followed by the IASB when developing or revising IFRSs. Although previous revisions have been made to the *Due Process Handbook*, this is the first time since 2006 that a major review has been undertaken.

The revisions:

- consolidate the due process requirements of the IASB and the Interpretations Committee, in addition to the protocols for due process oversight by the Trustees, into a single document;
- include a more extensive description of the process of assessing the likely effects of a Standard or Interpretation;
- reflect the ability of the Monitoring Board to refer urgent issues to the IASB for its consideration;
- include consideration of the due process requirements related to the extensive programme of outreach activities that is now routinely conducted by the IASB as part of its standard-setting activities; and
- incorporate other enhancements to the IASB's due process resulting from the more active dialogue with the Trustees' Due Process Oversight Committee (DPOC).

Nominating Committee appointments

One of the main responsibilities of the Trustees is to appoint members to the different bodies in the organisation. The following appointments were made during 2012:

- **Trustees** (after consultation with the Monitoring Board): Sheila Fraser (North America), Wiseman Nkuhlu (Africa), Heidi Miller (North America), C. B. Bhavé (Asia-Oceania), James Quigley (North America), Yong Li (Asia-Oceania) and Marco Onado (Europe).
- **IFRS Advisory Council:** appointments and reappointments to the IFRS Advisory Council (The Advisory Council) as well as the appointment of Dr. Christoph Hütten as Vice-Chairman of the Council.
- **Members of the IASB:** Martin Edelmann (Europe), Gary Kabureck (North America), Mary Tokar (North America) and Chungwoo Suh (Asia-Oceania).
- **Members of the Interpretations Committee:** Sandra Peters and John O'Grady.
- **Senior staff:** Yael Almog (Executive Director) and David Loweth (Director for Trustee Activities).

Report of the Due Process Oversight Committee



The Trustees' DPOC is responsible for overseeing due process, reviewing the IASB's compliance with due process, and ensuring the Trustees' fulfillment of their oversight function in accordance with the Constitution of the IFRS Foundation.

Report on progress against 2012 objectives

The 2011 Report of the DPOC identified five priority areas for the work of the DPOC during 2012, as follows:

- 1. Oversee the implementation of the revisions to 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. Complete the update of the IASB's *Due Process Handbook*.**

The consultation on a major revision to the *Due Process Handbook* was undertaken during the year, proposing improvements to the IASB's due process. The responses highlighted broad support for the proposals. The DPOC considered issues raised by respondents and how to deal with them over the period October 2012–January 2013. A DPOC protocol has been introduced and is being used successfully as a reporting tool by the IASB technical staff.

Comprehensive details of the work of the DPOC, including meeting reports and all meeting materials, is available from the DPOC section on www.ifrs.org.

- 2. 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*.**

Throughout the year the DPOC received regular reports on the due process status of each major project, including the IASB's Agenda Consultation, on which a Feedback Statement was published in December 2012. The DPOC is now receiving the same reports on due process that are being submitted by staff to the IASB, in order to avoid the process being over-bureaucratic and to demonstrate that the IASB is following an evidence-based due process. Due process considerations are being integrated more into the work of the IASB technical staff, as are effects analyses, on which the

DPOC reviewed the composition of a new IASB consultative group to advise on the development of an agreed methodology for fieldwork and effects analyses.

- 3. Oversee the completion and implementation of several important projects, including the review of the efficiency and effectiveness of the Interpretations Committee and a review of the strategy of XBRL activities.**

The findings of a review of the Interpretations Committee were published in May 2012 and its recommendations have been implemented, with those relating to revisions of due process being incorporated into the revised *Due Process Handbook*. The DPOC also reviewed the IASB's procedures for its first Post-Implementation Review, on IFRS 8. The review of the strategy for XBRL activities has been completed.



4. Oversee the introduction of procedures to support enhanced dialogue with prudential regulators and relevant stakeholder groups, as recommended by the Trustees' Strategy Review. Conduct an annual assessment of the effectiveness of consultative groups.

Procedures have been introduced or are in the process of being introduced. The enhanced technical dialogue with prudential regulators is in place. Progress is being made to facilitate greater co-operation with securities regulators, in particular IOSCO. The DPOC reviewed the IASB's engagement with both prudential and securities regulators in July 2012. The relationship between the IASB and national standard-setters and regional bodies associated with standard-setting was formalised in early 2013 with the establishment of the Accounting Standards Advisory Forum. A review of consultative groups was undertaken in July 2012, as a result of which a number of groups which had become dormant were wound up.

5. Further enhance the rigour and transparency of its own activities.

The DPOC protocol has been introduced and is in operation. During the year, the DPOC continued to respond to comments raised by stakeholders on the IASB's due process. Its close engagement with the IASB continued and during the year DPOC members attended meetings of the Advisory Council, the Interpretations Committee and the XBRL Advisory Council. The DPOC has considered holding parts of its meeting in public session, but has concluded that, on balance, its current method of operation is more effective. That said, the DPOC has taken steps to further increase the level of transparency of the reporting of its meetings and activities.

Priorities for 2013

The DPOC will finalise the revision to the *Due Process Handbook*. The DPOC will continue to work in close co-operation with the IASB to ensure that projects due for completion in 2013 are subject to the updated due process. In advance of the issue of any major new standard, the DPOC will conduct a complete review of the due process throughout the life cycle of the project and will confirm that it has completed such a review. In addition, in line with its responsibility to monitor the effectiveness of the bodies of the IFRS Foundation relevant to the IASB's standard-setting activities, including consultative groups, the DPOC will enhance its engagement with those bodies by a member observing at least part of a meeting of each of the major groups once a year and reporting back to the Interpretations Committee to validate the breadth of attendance and an assessment of the quality of dialogue.

Trustees of the IFRS Foundation

			<p>1 Michel Prada, Chairman (Europe) ^c Former Chairman of the Autorité des Marchés Financiers (AMF), former Chairman of the Executive and Technical Committees of IOSCO, (France) <i>First term expires: December 2014</i></p> <p>2 Tsuguoki (Aki) Fujinuma, Vice-Chairman (Asia-Oceania) ^c Immediate Past Chairman and President, Japanese Institute of Certified Public Accountants, (Japan) <i>Second term expires: December 2013</i></p> <p>3 Robert Glauber, Vice-Chairman (North America) ^c Retired Chairman and CEO, NASD (the private sector regulator of the US securities market); former Under Secretary of the Treasury for Finance, (United States) <i>Second term expires: December 2014</i></p>
			<p>Africa</p> <p>4 Jeff van Rooyen Chief Executive, Uranus Investment Holdings (Pty), (South Africa) <i>Second term expired: December 2012</i></p>
			<p>Asia-Oceania</p> <p>5 Ronald Arculli Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited; former Chairman of the World Federation of Exchanges, (Hong Kong) <i>First term expires: December 2014</i></p> <p>6 Chandrashekhar Bhaskar Bhave (C. B. Bhave) Former Chairman of the Securities and Exchange Board of India, (India) <i>First term expires: December 2014</i></p> <p>7 Duck-Koo Chung Former Minister of Commerce, Industry and Energy for the Republic of Korea, (Republic of Korea) <i>First term expires: December 2013</i></p> <p>8 Yong Li President of the Chinese Institute of Certified Public Accountants, Vice-Minister to the Ministry of Finance, (People's Republic of China) <i>First term expires: December 2014</i></p> <p>9 Jeffrey Lucy ^c Former Chairman, Financial Reporting Council; former Chairman, Australian Securities and Investments Commission, (Australia) <i>Second term expires: December 2013</i></p> <p>10 Noriaki Shimazaki Special Adviser, former CFO and Member of the Board, Sumitomo Corporation, (Japan) <i>Second term expires: December 2014 (retires June 2013)</i></p>
			



Europe

- 11 Clemens Börsig** ^c
Former Chairman of the Supervisory Board and former Member of the Management Board, Deutsche Bank AG, (Germany)
Second term expires: December 2014
- 12 Callum McCarthy**
Former Chairman of the Financial Services Authority; Non-Executive Director of Industrial and Commercial Bank of China, and IntercontinentalExchange, (United Kingdom)
First term expires: December 2014
- 13 Marco Onado**
Senior Professor of Financial Institutions at the Bocconi University; Chairman of Pioneer Global Asset Management, (Italy)
First term expires: December 2014
- 14 Dick Sluimers**
Chief Executive Officer of APG Group, (Netherlands)
First term expires: December 2013
- 15 Antonio Zoido**
Chairman of the Board and Chief Executive Officer of Bolsas y Mercados Españoles, (Spain)
First term expires: December 2013
- 16 Yves-Thibault de Silguy**
Vice-Chairman and Lead Director, Vinci, (France)
First term expired: December 2012

North America

- 17 Scott Evans** ^c
Former Executive Vice-President, Asset Management and Chief Executive Officer of TIAA-CREF Investment Management LLC, (United States)
Second term expires: December 2014
- 18 Harvey Goldschmid**
Dwight Professor of Law, Columbia University; former Commissioner of the US Securities and Exchange Commission, (United States)
Second term expires: December 2015
- 19 James Quigley**
Former Senior Partner of the US member firm Deloitte LLP and former Global Chief Executive Officer of Deloitte Touche Tohmatsu Limited, (United States)
First term expires: December 2014
- 20 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; Strategic Advisor, Société Générale, (Canada)
Second term expired: December 2012
- 21 David Sidwell**
Director, UBS and Fannie Mae; former CFO, Morgan Stanley, (United States)
Second term expired: December 2012

South America

- 22 Pedro Malan**
Chairman, Unibanco; former Finance Minister of Brazil; former President, Central Bank of Brazil, (Brazil)
Second term expires: December 2013

^c Denotes Chairman of Trustee Committee. See page 14.



Successors for Trustees retiring at the end of 2012

New appointments

- 23 Abdulrahman Al-Humaid**
 Chairman of the Committee for Adopting International Accounting Standards of the Saudi Organization for Certified Public Accountants; former Chairman of the Saudi Accounting Standards Committee, (Saudi Arabia)
First term expires: December 2015
- 24 Sheila Fraser**
 Member of the International Public Sector Accounting Standards Board (IPSASB); former Auditor General of Canada; former Chair of the Canadian Public Sector Accounting Board, (Canada)
First term expires: December 2015
- 25 Heidi Miller**
 Former President of International Operations and Strategy at JPMorgan Chase & Company; former Chief Executive Officer of the Treasury and Securities Services Unit of JPMorgan, (United States)
First Term expires: December 2015
- 26 Wiseman Nkuhlu**
 Former Economic Adviser to former South African President Thabo Mbeki; first Chairman of the Steering Committee and Chief Executive of the Secretariat of the New Partnership for Africa's Development (NEPAD); former President of the South African Institute of Chartered Accountants, (South Africa)
First term expires: December 2015

c Trustee Committees

Committee	Chairman
Audit and Finance Committee	Clemens Börsig
Due Process Oversight Committee	Scott Evans
Education and Content Services Committee	Jeffrey Lucy
Executive Committee	Michele Prada
Human Capital Committee	Tsuguoki (Aki) Fujinuma
Nominating Committee	Robert Glauber

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Standard-setting activities

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Report of the Chairman of the IASB



A little over a decade ago the IASB was created with what seemed then to be a courageous expectation that countries would entrust an independent body to set financial reporting standards for their companies and businesses.



HANS HOOGERVORST
CHAIRMAN
IASB

Today we can look back and reflect with some pride that over 100 countries have done just that, and others are taking steps to do so. Indeed, our own analysis of how IFRS is being adopted around the world has shown very few examples of jurisdictions making their own adjustments to IFRSs while the overwhelming majority simply take our Standards in full.¹

As an organisation, the IASB has grown both in size and standing in the standard-setting world. We have supported many major, emerging and smaller economies in their transition to our Standards. IFRS has become a global language for financial reporting, traversing cultural and legal differences.

Our task is far from complete. In 2012 we took some big steps in what has become a new chapter in this extraordinary story of the IASB. Having spent the first decade working one-to-one with other standard-setters, we have now set a new, more inclusive and multilateral path. Much of our thinking has been shaped by the thoughtful input we received during our inaugural public agenda consultation. In December 2012 we published the results of that exercise, setting out our priorities for the next three years. We are focusing on four areas: new Standards, the *Conceptual Framework*, implementation and developing a broader research programme.

The work on new Standards has focused on the completion of the three remaining convergence projects—Revenue Recognition, Financial Instruments and Leases—as well as the joint Insurance Contracts project with our colleagues at the US FASB. These are challenging projects, and the journey has not been easy for either board. Nevertheless, we are making steady and sure progress with all four of these much-needed improvements to financial reporting.

Revenue Recognition will be the first of the remaining convergence projects to be finalised, later in 2013. The importance of this project cannot be overstated. Revenue is the top-line number reported

by almost every business, so achieving a fully converged Standard is, in my view, the jewel in the crown of the convergence programme.

In other areas, progress has been more challenging. The Financial Instruments Standards have proven to be the most difficult, particularly for classification and measurement, and developing an impairment model for financial instruments. The G20 and the Financial Stability Board have emphasised many times the importance of us developing a sound and workable expected loss model to replace our incurred credit loss model. While it has been challenging to stay on a converged path with the FASB, we will continue to work in close co-operation with them and to share the results of our respective consultation activities.

The decade-long convergence programme has been quite an achievement. While full convergence has not been possible in all areas, our work with the FASB has harmonised and improved financial reporting requirements globally. It is a credit to both boards that we have been able to achieve so much coming from, in many cases, very different starting points.

When we and the FASB suspended our work on the *Conceptual Framework* in 2010 we had only completed two chapters:

¹ The IASB will publish in June 2013 the first batch of country profiles for IFRS adoption.



Objectives and Qualitative Characteristics. This was frustrating for both boards because thousands of hours of staff time and hundreds of hours of public board time had been invested in work on elements, measurement and the reporting entity—including an Exposure Draft on the reporting entity and public round-table meetings on measurement. That work has not been lost. It has provided us with an excellent platform from which to launch our revitalised *Conceptual Framework* project. There are two important changes in approach from our last effort. This time it is an IASB project, and we are approaching the five major topics holistically rather than in phases.

We began this work in earnest during 2012, setting an ambitious, but achievable, goal of revising the *Conceptual Framework* by the end of 2015. We plan to publish a Discussion Paper in mid-2013 that will include confronting the difficult topics of measurement and other comprehensive income. This will be a challenge, but important because the *Conceptual Framework* is the DNA of our Standards.

In late 2012 we proposed establishing an ASAF, comprising standard-setters and other related bodies, to provide technical advice to the IASB. We see this group as being important as the IASB develops its *Conceptual Framework* project.

Shortly before we published this report the group met for the first time, spending most of the meeting discussing the *Conceptual Framework*. The meeting was a remarkable success and the ASAF presents an excellent platform from which to deepen co-operation with many important members of the global standard-setting community.

Alongside the *Conceptual Framework* project we are also undertaking work on disclosures. In January 2013 we held a public forum as our first step in a series of actions to address concerns that financial reports contain too much irrelevant and unconnected information. We are prepared to take steps to amend our Standards if they are causing difficulties. We also plan to work with auditors, securities regulators, preparers and users of financial statements on matters such as materiality.

Our Agenda Consultation told us that we should pay more attention to maintaining existing Standards. We have adjusted our Interpretations process to be more responsive and started work on narrow but important amendments to the requirements for agriculture and separate financial statements. We have also honoured our commitment to undertake Post-Implementation Reviews of new Standards, beginning with IFRS 8.

The last new initiative is the creation of a research programme. This change is fundamental. Our work programme is now far more research-led, co-ordinating the resources and expertise provided by national standard-setters and other interested parties around the world.

Significant change rarely happens in an instant. There is almost invariably a period of transition: 2012 was such a period. We recognise the importance of finishing our joint work with the FASB while simultaneously preparing for a new and exciting chapter.

I cannot complete my review without acknowledging the tremendous work of my dedicated staff. The international community should be proud, as I am, of their commitment to our mission.

Hans Hoogervorst
Chairman
IASB

Technical activities and development of IFRSs

The technical agenda

Project	Status
IFRS 9—replacement of IAS 39 <i>Classification and Measurement</i> <i>(Limited amendments)</i>	<p>In November 2009 the IASB issued IFRS 9 <i>Financial Instruments</i>. The IASB had previously noted 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 review IFRS 9 to consider the interaction 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>As a result of the review, in November 2012, the IASB published the Exposure Draft <i>Classification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010))</i>.</p>
IFRS 9—replacement of IAS 39 <i>Amortised cost and impairment of</i> <i>financial instruments</i>	<p>This phase of the project is focused on improving the transparency of information about the credit quality of financial assets subject to impairment, including estimating and reporting expected credit losses in a timely manner.</p> <p>The IASB and the FASB previously published separate proposals for impairment of financial assets in 2009 and 2010, respectively. As a result of feedback received on these proposals, in early 2011 the boards published a joint proposal for impairment, which received mixed feedback.</p> <p>In 2012 the FASB decided to develop a different approach, recognising full lifetime expected credit losses. The IASB decided to move forward with a two-stage deterioration model and issued its revised proposals in early 2013. The boards plan to consider the feedback they receive together in an effort to achieve a converged solution.</p>
IFRS 9—replacement of IAS 39 <i>Hedge Accounting</i>	<p>In December 2010 the IASB published proposals to revise hedge accounting for both financial and non-financial exposures. Feedback indicated strong support for the proposals, with respondents welcoming the fact that the IASB was addressing hedge accounting comprehensively.</p> <p>The IASB has completed its deliberations. The IASB released a Staff Draft in September 2012.</p>
<i>Accounting for Macro Hedging</i>	<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.</p> <p>The IASB plans to publish a Discussion Paper before moving on to an Exposure Draft.</p>

Technical activities and development of IFRSs

Project	Status
Revenue Recognition	<p>This is a joint project, with the objective of improving the financial reporting of revenue.</p> <p>The boards published joint proposals in June 2010. During 2011 they considered the feedback received and, given the pervasiveness of the new requirements, decided to re-expose the revised proposals.</p> <p>The boards considered comments received on those revised proposals during 2012 and are aiming to issue converged requirements in 2013.</p>
Leases	<p>The objective of this project is to improve financial reporting by lessors and lessees, in particular by recognising leases on the balance sheet.</p> <p>The IASB and FASB published a joint Exposure Draft in August 2010. In 2011, as a result of feedback received, the boards decided to re-expose the proposals in 2013.</p>
Insurance Contracts	<p>The objective of this project is to eliminate inconsistencies and weaknesses in existing practice by replacing IFRS 4 <i>Insurance Contracts</i> and to provide a single principle-based Standard to account for all insurance contracts.</p> <p>The FASB joined the IASB on the project in October 2008. In 2011 the boards began considering together the feedback received on the IASB's Exposure Draft and the FASB's Discussion Paper and deliberated the proposals in 2012. Although the boards are working together, they have reached different conclusions on several important aspects of the project.</p> <p>In late 2012 the IASB decided that, on the basis of the feedback received on the original Exposure Draft and the subsequent decisions made during redeliberations, it would re-expose its proposals in 2013.</p>
Rate-regulated Activities	<p>Rate regulation is a restriction in the setting of prices that can be charged to customers for services or products. It is generally imposed by regulatory bodies or governments when an entity has a monopoly or a dominant market position that gives it excessive market power.</p> <p>In response to the feedback received on the 2011 Agenda Consultation, the IASB agreed to start a research project for Rate-regulated Activities.</p> <p>In response to requests for interim guidance until a more comprehensive solution is developed, in December 2012 the IASB decided to develop an Exposure Draft for an interim Standard.</p>
<i>IFRS for SMEs</i> Comprehensive review	<p>When the IASB issued the <i>International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)</i> in July 2009, it stated that it would undertake an initial comprehensive review of the Standard.</p> <p>In mid-2012 the IASB issued a <i>Request for Information</i> seeking public views on whether there is a need to make any amendments to the <i>IFRS for SMEs</i>. The deadline for responses was November 2012.</p>

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Conceptual Framework

Project	Status
Conceptual Framework	<p>Restarting work on the <i>Conceptual Framework</i> project received overwhelming support from respondents to the IASB’s 2011 Agenda Consultation. Consequently, the IASB restarted this project in September 2012.</p> <p>The IASB has decided to develop new sections of the <i>Conceptual Framework</i> for a reporting entity, elements of financial statements (including recognition and derecognition), measurement, and presentation and disclosure in a single Discussion Paper. The project will build on the work previously done before the project was paused in 2010.</p>

Narrow-scope amendments as at 31 December 2012

Project	Status
Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)	In December 2012 the IASB published the Exposure Draft <i>Acquisition of an Interest in a Joint Operation</i> (Proposed amendment to IFRS 11). The Exposure Draft proposed guidance on the accounting for an interest in a joint operation when that joint operation includes a business.
Annual Improvements	<p>The Exposure Draft <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> was published in May 2012. The Interpretations Committee has begun considering the comments received, in anticipation of presenting its recommendations to the IASB.</p> <p>The Exposure Draft <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> was published in November 2012.</p>
Bearer biological plants (Proposed amendments to IAS 41)	In response to the 2011 Agenda Consultation, the IASB decided to develop a limited-scope project for amending IAS 41 <i>Agriculture</i> in relation to bearer biological plants, such as grapevines and oil palms. These assets are seen by many as being similar in nature to manufacturing plant and, consequently, should be within the scope of IAS 16 <i>Property, Plant and Equipment</i> rather than within IAS 41.
Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)	<p>In December 2012 the IASB issued an Exposure Draft <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Proposed amendments to IAS 16 and IAS 38).</p> <p>The Exposure Draft proposed clarifying that some methods should not be used when calculating the depreciation or amortisation of items of property, plant and equipment or intangible assets.</p>
Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)	In November 2012 the IASB published the Exposure Draft <i>Equity Method: Share of Other Net Asset Changes</i> (Proposed amendments to IAS 28). The proposed amendments clarify how an investor should account for its share of the changes in the net assets of an associate (or joint venture) that are not recognised in profit or loss or other comprehensive income of the associate (so-called ‘other net asset changes’).
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)	The IASB plans to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Narrow-scope amendments *continued*

Project	Status
Recoverable Amount Disclosures for Non-Financial Assets (Proposed amendments to IAS 36)	<p>The IASB plans to amend the disclosure requirements in IAS 36 <i>Impairment of Assets</i> with regard to the measurement of the recoverable amount of impaired assets.</p> <p>The current requirements were developed as part of IFRS 13 <i>Fair Value Measurement</i>. Unfortunately the requirements are being applied more broadly than was intended. The IASB issued an Exposure Draft <i>Recoverable Amount Disclosures for Non-Financial Assets</i> early in 2013 proposing amendments that would clarify the IASB's original intention for the disclosure requirements.</p>
Sales or Contributions of Assets between an Investor and its Associate or Joint Venture (Proposed changes to IFRS 10 and IAS 28)	<p>In December 2012 the IASB published the Exposure Draft <i>Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture</i> (Proposed amendments to IFRS 10 and IAS 28). The proposals address an inconsistency between the requirements in IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture.</p>
Separate Financial Statements (Equity Method) (Proposed changes to IAS 27)	<p>Responding to feedback received from the 2011 Agenda Consultation, the IASB decided to consider amending IAS 27 <i>Separate Financial Statements</i> to allow the option to use the equity method of accounting for interests in subsidiaries and joint ventures. The IASB also plans to clarify some matters related to balances with subsidiaries and joint arrangements.</p>
Put options written on non-controlling interests	<p>In May 2012 the Interpretations Committee published a draft Interpretation proposing clarifications to the accounting for put options over non-controlling interests.</p> <p>Feedback received was discussed in early 2013. As a consequence the IASB has decided to develop potential amendments to IAS 32 <i>Financial Instruments: Presentation</i>, rather than an Interpretation.</p>

Interpretations

Project	Status
Levies charged by public authorities on entities that operate in a specific market	<p>In May 2012 the Interpretations Committee published a draft Interpretation proposing clarifications when a liability to pay particular levies should be recognised. In November 2012 the Interpretations Committee began considering the feedback received.</p>



Other

Project	Status
Post-Implementation Review—IFRS 8	<p>IFRS 8 <i>Operating Segments</i> is the first Standard to be subject to a Post-Implementation Review.</p> <p>In July 2012 the IASB published for comment a <i>Request for Information</i> on the effect of implementing IFRS 8.</p> <p>The IASB expects to apply the experience gained from its first Post-Implementation Review to inform its planning for the Post-Implementation Review of IFRS 3 <i>Business Combinations</i> in 2013.</p>
Agenda Consultation	<p>In December 2012 the IASB concluded its public consultation on its future agenda by releasing a Feedback Statement that summarises the feedback it received on the 2011 Agenda Consultation, how it has responded to that feedback, and maps out its future priorities.</p> <p>Five broad themes emerged from responses to the public consultation. First, respondents asked that a decade of almost continuous change in financial reporting should be followed by a period of relative calm. Second, there was almost unanimous support for the IASB to prioritise work on the <i>Conceptual Framework</i>. Third, the IASB was asked to make some targeted improvements that respond to the needs of new adopters of IFRSs. Fourth, the IASB was asked to pay greater attention to the implementation and maintenance of the Standards. Finally, the IASB was asked to improve the way in which the IASB develops new Standards, by conducting more rigorous cost-benefit analysis and problem definition earlier on in the standard-setting process.</p>
Education	<p>The IFRS Education Initiative aims to reinforce the IFRS Foundation’s goal of promoting the adoption and consistent application of a single set of high quality international accounting standards.</p> <p>Publications issued during 2012 include: educational material to accompany IFRS 13 <i>Fair Value Measurement</i> (December 2012), <i>A Briefing for Chief Executives, Audit Committees and Boards of Directors</i> (2012) and modular training material on the <i>IFRS for SMEs</i>.</p>
<i>IFRS for SMEs</i> Guidance for micro-sized entities	<p>In 2012 the IASB decided that guidance should be developed to help micro-sized entities apply <i>IFRS for SMEs</i>. The SME Implementation Group has been working with the staff in developing the education material.</p>
XBRL	<p>The IFRS Taxonomy 2012 was issued in March 2012 and was updated later in the year for <i>Investment Entities</i>.</p>

IFRSs and amendments to IFRSs issued in 2012

IFRSs and amendments to IFRSs	Issued in	Description	Effective date
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards—Government Loans</i>	March	The amendment gives first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for loans received from governments at a below market rate of interest on transition. This is the same relief as was given to existing preparers of IFRS financial statements.	
Annual Improvements to IFRSs 2009–2011 Cycle	May	This cycle of Annual Improvements amends five Standards: IFRS 1 in relation to the repeated application of IFRS 1 and borrowing costs; IAS 1 <i>Presentation of Financial Statements</i> in relation to the requirements for comparative information; IAS 16 in relation to classifying servicing equipment; IAS 32 in relation to the tax effect of distributions to holders of equity instruments; and IAS 34 <i>Interim Financial Reporting</i> in relation to reporting segment information for total assets and liabilities.	
Amendments to transition guidance in IFRS 10, IFRS 11 <i>Joint Arrangements</i> , and IFRS 12 <i>Disclosure of Interests in Other Entities</i>	June	These amendments clarify the transition requirements for IFRS 10 by confirming the extent of relief to be provided on transition. The amendments also provide some relief from restating comparatives on the initial application of IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.	Annual periods beginning on or after 1 January 2013, with earlier application permitted.
Investment Entities (Amendments to IFRS 10, IFRS 11 and IAS 27)	October	These amendments introduce a class of entities defined as ‘investment entities’ and require that they measure their subsidiaries at fair value through profit or loss instead of consolidating them. Related disclosure requirements have been added to IFRS 12 and IAS 27.	Annual periods beginning on or after 1 January 2014, with earlier application permitted.

IFRS Advisory bodies

The IASB's formal advisory bodies provide an important mechanism for the IASB to receive input on its work and to consult interested parties from a broad range of backgrounds and geographical regions in a transparent manner.

The table below provides an overview of the IASB's formal advisory bodies and their form of engagement with the IASB.

Group	Established by the IASB?	IASB-chaired?	Form of representation:	Member selection	Composition
IFRS Advisory Council	Yes	No	Delegates and Individuals	Trustees/Public search	International; cross-sector
Capital Markets Advisory Committee	No	No	Individuals	Group	International; users of financial statements
Emerging Economies Group	Yes	Yes (co-chaired)	Delegates and Individuals	Group	Emerging economies
Global Preparers Forum	No	No	Individuals	Group	International; preparers
SME Implementation Group	Yes	Yes	Individuals	Trustees/Public search	International; area experts

Report of the IFRS Interpretations Committee 2012

The Interpretations Committee had a productive year dealing with challenging issues in 2012. In total, it discussed 46 issues during 2012. These included publishing two draft Interpretations, making recommendations to the IASB for four narrow-scope amendments to IFRSs and continuing its work on Annual Improvements.

This increased level of activity responds to the conclusions of the Trustees' review of the efficiency and effectiveness of the Interpretations Committee published in May 2012.

One of the principal recommendations of the review was that the Interpretations Committee should be more responsive to requests for assistance and to do so by using a broader range of 'tools' when responding to submissions. This included proposing to the IASB that it makes narrow-scope amendments to IFRSs when this would provide a more effective or efficient means of addressing an issue than an Interpretation or an Annual Improvement.

One of the two draft Interpretations published in 2012 addresses the accounting for levies in circumstances

in which determining the obligating event that triggers the recognition of the liability is complicated by the interaction of more than one necessary condition.

The other draft Interpretation that the Interpretations Committee published during 2012 proposed guidance on the subsequent accounting for the financial liability that is recognised when an entity writes a put option over shares in one of its subsidiaries that are held by non-controlling interest shareholders. The Interpretations Committee carried out this work at the request of the IASB. After considering the comments received on this draft Interpretation, the Interpretations Committee has recommended that the IASB reconsider other ways of addressing the subsequent accounting for such financial liabilities, instead of finalising the Interpretation.

The four recommendations for narrow-scope amendments arising from the Interpretations Committee's work propose new or amended guidance to address long-standing issues. Two of these relate to the application of the equity method of accounting, another proposes additional guidance on the selection of appropriate depreciation or amortisation methods, and the fourth proposes new guidance on the purchase of an interest in joint operations. In developing this proposed guidance, the Interpretations Committee is supporting the IASB in its response to comments received on the IASB's 2011 Agenda Consultation for more to be done in the implementation and maintenance of IFRSs.

Members of the IASB




1 Hans Hoogervorst, Chairman
Former Chairman, Netherlands Authority for the Financial Market (AFM), (The Netherlands)
First term expires: 30 June 2016

2 Ian Mackintosh, Vice-Chairman
Former Chairman, UK Accounting Standards Board, (Australasia)
First term expires: 30 June 2016







Africa

- 3 Darrel Scott**
Former CFO, FirstRand Banking Group, (South Africa)
First term expires: 30 June 2015

Asia-Oceania

- 4 Prabhakar Kalavacherla ("PK")**
Former Audit Partner, KPMG, (India)
First term expires: 30 June 2013
- 5 Takatsugu (Tak) Ochi**
Former Assistant General Manager, Sumitomo Corporation; former Adviser, Nippon Keidanren and Accounting Standards Board of Japan, (Japan)
First term expires: 30 June 2016
- 6 Chung Woo Suh**
Former Chairman, Korea Accounting Standards Board;
Professor of Accounting at Kookmin University, Seoul, (Republic of Korea)
First term expires: 30 June 2017
- 7 Zhang Wei-Guo**
Former Chief Accountant and Director General, Department of International Affairs at the China Securities Regulatory Commission, (People's Republic of China)
Second term expires: 30 June 2017



Europe

- 8 Stephen Cooper**
Former Managing Director and Head of Valuation and Accounting Research, UBS, (United Kingdom)
Second term expires: 31 July 2017
- 9 Philippe Danjou**
Former Director of the Accounting Division, Autorité des Marchés Financiers, (France)
Second term expires: 30 June 2016
- 10 Martin Edelmann**
Former Head of Group Reporting, Deutsche Bank, (Germany)
First term expires: 30 June 2017
- 11 Jan Engström**
Former CFO, Volvo Group and Chief Executive Officer, Volvo Bus Corporation, (Sweden)
Second term expires: 30 June 2014

North America

- 12 Patrick Finnegan**
Former Director, Financial Reporting Policy Group, CFA Institute for Financial Market Integrity, (United States)
First term expires: 30 June 2014
- 13 Patricia McConnell**
Former Senior Managing Director, Equity Research, Accounting and Tax Policy Analyst, Bear Stearns & Co, (United States)
First term expires: 30 June 2014

South America

- 14 Amaro Luiz de Oliveira Gomes**
Former Head of Financial System Regulation Department, Central Bank of Brazil, (Brazil)
First term expires: 30 June 2014

Retirements and recent appointments

- 15 Paul Pacter, retired November 2012**
- 16 John Smith, retired June 2012**
- 17 Gary Kabureck, term began April 2013**
- 18 Mary Tokar, term began January 2013**

Senior staff of the IASB and the IFRS Foundation



IASB Senior Staff

- 1 **Sue Lloyd**
Senior Director Technical Activities
- 2 **Alan Teixeira**
Senior Director Technical Activities
- 3 **Peter Clark**
Director of Research
- 4 **Olivier Servais**
Director of XBRL Activities
- 5 **Michael Stewart**
Director of Implementation Activities
- 6 **Wayne Upton**
Chairman of the IFRS Interpretations Committee
- 7 **Mike Wells**
Director of IFRS Education Initiative

IFRS Foundation Senior Staff

- 8 **Yael Almog**
Executive Director
- 9 **Mark Byatt**
Director of Communications and External Affairs
- 10 **Miranda Corti**
Director of Operations
- 11 **David Loweth**
Director for Trustee Activities

Members of the Interpretations Committee

At 31 December 2012

Name and affiliation	Term expires	Name and affiliation	Term expires
Luca Cencioni Senior Accounting Manager Eni Adfin SpA Italy	June 2014	Andrew Vials Partner KPMG LLP United Kingdom	June 2013
Guido Fladt Partner PricewaterhouseCoopers Germany	June 2013	Charlotte Pissaridou Head of Accounting Policy for EMEA (Europe, the Middle East and Africa) and Asia Goldman Sachs United Kingdom	June 2014
Bernd Hacker Professor University of Applied Sciences Rosenheim Germany	June 2013	Kazuo Yuasa General Manager, Corporate Finance Unit Fujitsu Limited Japan	June 2015
Laurence Rivat Partner Deloitte & Associés (France) France	June 2015	John O'Grady Asia-Pacific IFRS Leader Ernst & Young Australia	June 2015
Jean Paré Vice-President, Financial Reporting Bombardier Canada	June 2014	Sandra Peters Head of Financial Reporting Policy CFA Institute United States	June 2015
Joanna Perry Professional Non-Executive Company Director New Zealand	June 2014		
Feilong Li Executive Director, Executive Vice-President & CFO China Oil Services Limited People's Republic of China	June 2013		
Margaret M. (Peggy) Smyth* Vice-President Finance Con Edison United States	June 2014		
Scott Taub Managing Director Financial Reporting Advisors, LLC United States	June 2014		
		Non-voting Chairman	
		Wayne Upton Chairman, IFRS Interpretations Committee	
		Official Observers	
		European Commission	
		The International Organization of Securities Commissions (IOSCO)	

* retired April 2013

Report of the IFRS Advisory Council Chairman

During 2012, the Advisory Council discussed a wide range of issues including the Trustees' Strategy Review, the Monitoring Board's Governance Review, proposed revisions to the *Due Process Handbook*, progress against the IASB work plan, proposed new projects dealing with rate regulated-activities and limited amendments to IAS 41 *Agriculture*.



PAUL CHERRY, CHAIRMAN
IFRS ADVISORY COUNCIL

We met with representatives of various organisations such as the Basel Committee on Banking Supervision, the Financial Stability Board, the International Integrated Reporting Committee, and the International Auditing and Assurance Standards Board as part of an ongoing discussion of the involvement of external parties in the IASB's standard-setting process.

Members discussed the staff's analysis of comments received on the IASB Agenda Consultation. Members generally supported the IASB's response, including the updated *Conceptual Framework* being a high priority, an evidence-based approach to standard-setting and a robust agenda-setting process. Members advised the IASB to take into consideration other developments relevant to financial

reporting such as XBRL, integrated reporting and sustainability reporting. The Advisory Council has been given ample opportunity to provide input to the Trustees and to the IASB on a timely basis and the IASB carefully considered our views in forming its conclusions, which is precisely how the process should work.

The Advisory Council closely monitored progress on the remaining IASB/FASB joint projects on financial instruments, leases, revenue recognition and insurance, noting that significant progress had been made towards their completion. Members support timely completion of these important projects, but the quality of the final Standards is more important than speed. Convergence on these Standards remains a worthwhile objective particularly on the issue of impairment of financial assets.

Members noted that several organisations have projects under way related to disclosure overload and increasing complexity of financial reporting. Members cautioned against seeking a 'quick fix' in the absence of general agreement on the nature of the underlying problems, with differing views about whether the volume of disclosure is the real problem and the role that XBRL, integrated reporting and other developments might play. Members recommended that the IASB should take a

leadership role and convene a broad-based discussion among interested parties to agree the way forward.

Members welcomed the initiative to create an ASAF as an advisory body to the IASB on issues relating to its technical projects. It will be important to ensure that the respective mandates of the ASAF and the Advisory Council complement one another and do not overlap.

Six new Advisory Council members were welcomed in 2012, reflecting continuing efforts to maintain an appropriate balance of stakeholder groups and geographical regions. Members valued the participation of many Trustees and IASB members at Advisory Council meetings and I also had the opportunity to attend meetings of the Trustees and of their Due Process Oversight Committee.

I want to thank Advisory Council members, especially Vice-Chairmen Charles Macek and Patrice Marteau for their efforts to ensure that the Advisory Council has a strong voice in influencing the IASB's strategic direction, technical work plan and priorities. Seven members retired at the end of the year, including Patrice Marteau. Patrice has provided invaluable support in the leadership of the Advisory Council. The retiring members will be sorely missed.

Members of the Advisory Council

At 31 December 2012

Represented body	Represented by	Occupation
Chairman, IFRS Advisory Council	Paul Cherry	Former Chairman, Canadian Accounting Standards Board (AcSB)
Vice-Chairman, IFRS Advisory Council	Charles Macek	Former Chairman, Australian Financial Reporting Council
Vice-Chairman, IFRS Advisory Council	Patrice Marteau	Chairman, ACTEO; Chairman, Accounting Committee, Business Europe
Brazilian Association of listed Companies (ABRASCA)	Valeska Barros	Controller, IIX Logistica S/A
Accounting Standards Council (Singapore)	Gerard Ee	Chairman, Changi General Hospital
Associated Chambers of Commerce of India	R Sankaraiah	Executive, Director Finance, Jubilant Life Science Limited
Basel Committee on Banking Supervision	Sylvie Matherat	Deputy Director General, Directorate General Operations, Banque de France
BDO	Andrew Buchanan	Global head of IFRS
CFA Institute	Vincent Papa	Director, Financial Reporting Policy
Corporate Reporting user's Forum (International)	Norbert Barth	Head of Equity Research – Chemicals, Baader Bank AG, Germany
Council of Institutional Investors (CII)	Jeffrey Mahoney	General Counsel
Deloitte & Touche	Joel Osness	Global Leader, IFRS Clients and Markets
Ernst & Young	Leo van der Tas	Global Technical Director, IFRS
European Accounting Association (EAA)	Begoña Giner	President, EAA; Professor in Accounting and Finance, University of Valencia
European Central Bank	Panagiotis Strouzas	Head of Financial Services Policy Division
European Financial Reporting Advisory group (EFRAG)	Françoise Flores	Chairman, EFRAG
European Issuers/European Round Table of Industrialists	Christoph Hütten	Senior Vice-President and Chief Accounting Officer, SAP AG
European Securities and Markets Authority (ESMA)	Laurent Degabriel	Head of Investment and Reporting Division
Fédération Internationale des Experts-Comptables Francophones	Benoit Onana	Senior Partner and General Manager, African Consulting Enterprise
Financial Executive International (FEI)	Rudolf Bless	Deputy CFO and Chief Accounting Officer, Credit Suisse
Financial Executives International (Canada)	Karyn Brooks	Senior Vice-President and Controller, Bell Canada Enterprises
Financial Reporting Standards Council of South Africa	Bruce Mackenzie	Managing Partner, W. Consulting
Grant Thornton	April Mackenzie	Global Head of Governance and Public Policy



Represented body	Represented by	Occupation
Group of 100 (Australia)	Judith Downes	Non-Executive Director
Group of European National Standard Setters (France, Germany, Italy and the UK)	Roger Marshall	UK Member of Group of European National Standard Setters
Group of North American Insurance Enterprises (GNAIE)	Jerry De St Paer	Executive Chairman
Hong Kong Institute of Certified Public Accountants	Carlson Tong	Chairman, Securities & Futures Commission, Hong Kong SAR
Institute of International Finance (IIF)	Will Widdowson	CFO, Wealth Management & Swiss Bank, UBS AG
Insurance Europe (European Insurance and Reinsurance Federation)	Jacques le Douit	Accounting Research and Development Director, AXA
International Actuarial Association (IAA)	Francis Ruygt	Chief Risk Officer, ING Insurance Benelux
International Association for Accounting Education & Research (IAAER)	Michael Bradbury	Professor in Accounting, Massey University, New Zealand
International Association of Insurance Supervisors (IAIS)	Richard Thorpe	Head of Accounting, Audit and Regulatory Reporting Policy, FSA
International Corporate Governance Network	Anne Molyneux	Director, CS International
International Federation of Accountants (IFAC)	Jim Sylph	Executive Director, Professional Standards and External Relations
International Monetary Fund	Kenneth Sullivan	Senior Financial Sector Expert
International Organization of Securities Commissions (IOSCO)	Patrick Parent	Executive Director, Corporate Accounting and Audit, Autorité des Marchés Financiers
International Organization of Securities Commissions (IOSCO) – emerging economies	Alexsandro Broedel Lopes	Chief Accounting Officer, Itau-Unibanco
International Organization of Securities Commissions (IOSCO) – shared seat with Patrick Parent	Thomas Blöink	Head of Accounting Law and Audit Law, Federal Ministry of Justice of Germany
Investment Company Institute	Gregory Smith	Senior Director, Fund Accounting and Compliance
Investment Management Association (IMA)	Liz Murrall	Director of Corporate Governance and Reporting
Korean Accounting Standards Board	Chanhong Kim	Vice-Chairman
KPMG	Mark Vaessen	Global IFRS Network Leader
Ministry of Finance, China	Min Yang	Director General of Accounting Regulatory Department
National Accounting Institute	Shizhong Huang	Vice-President and Professor, Xiamen National Accounting Institute
Nippon Keidanren (Japan)	Fumio Muraoka	Director and Chairman of the Audit Committee, Toshiba Corporation
PricewaterhouseCoopers (PwC)	John Hitchins	Global Chief Accountant
Securities Analysts Association of Japan	Sei-Ichi Kaneko	Executive Vice-President
South Asian Federation of Accountants	Reyaz Mihular	Chairman, Accounting and Auditing Standards Committee
World Bank	Zinga Venner	Manager of Financial Reporting & Analysis Unit

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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. The IFRS Foundation is responsible for the oversight, administration, operational support and finances of the IASB.

2012 financial results

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

- The IFRS Foundation is reporting £2.4 million of comprehensive income that includes net finance income of £0.8 million that consists primarily of unrealised fair value gains.
- Total income from all activities decreased slightly to £25.5 million in 2012 from £26.1 million in 2011; a decrease of 2.4 per cent.
- Total operating expenses were £23.8 million a decrease of 7.4 per cent from the previous year (2011: £25.7 million). Savings were primarily from staff-related costs (salaries and travel) including a £0.3 million one-time recovery in provision for payroll-related taxes.
- As of 31 December 2012, the IFRS Foundation's net assets stood at £10.8 million. These reserves amount to 45.5% of operating expenses, up from 32.7 per cent in 2011.

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

Income

The IFRS Foundation receives income from the following sources:

- contributions received primarily through national funding regimes and to a lesser extent from voluntary contributions, including transitional funding from accounting firms (see the list of 2012 financial supporters beginning on page 37);
- revenues from sales of publications and related activities in support of IFRS;
- funding to support the establishment and operation of the Asia-Oceania office in Tokyo; and
- other income, such as interest on reserve funds and honoraria for speeches.

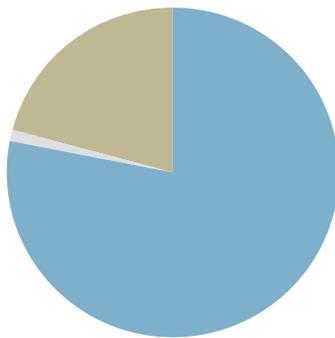
2012

OPERATING INCOME £'000

Contributions	20,030
Other income	149
Revenue from publications, education and XBRL	5,324
TOTAL	25,503

EXPENSES £'000

Salaries, wages and benefits	15,571
Trustees' fees	631
Travel, accommodation and related expenses	2,113
Occupancy expenses	1,367
Other costs	1,236
Cost of publications, education and XBRL	3,208
Reduction in provision for HMRC tax settlement	(290)
TOTAL	23,836



2012 OPERATING INCOME IN PER CENT

- CONTRIBUTIONS (78.5)
- OTHER INCOME (0.6)
- REVENUE FROM PUBLICATIONS, EDUCATION AND XBRL (20.9)

2012 EXPENSES IN PER CENT

- SALARIES, WAGES AND BENEFITS (65.3)
- TRUSTEES' FEES (2.7)
- TRAVEL, ACCOMMODATION AND RELATED EXPENSES (8.9)
- OCCUPANCY EXPENSES (5.7)
- OTHER COSTS (5.2)
- COST OF PUBLICATIONS, EDUCATION AND XBRL (13.4)
- REDUCTION IN PROVISION FOR HMRC TAX SETTLEMENT (-1.2)

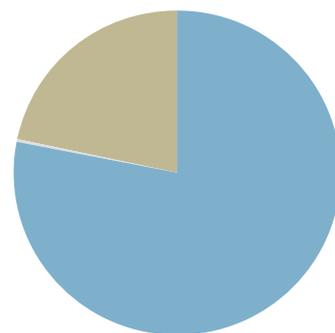
2011

OPERATING INCOME £'000

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

EXPENSES £'000

Salaries, wages and benefits	16,253
Trustees' fees	505
Travel, accommodation and related expenses	2,542
Occupancy expenses	1,335
Other costs	1,298
Cost of publications, education and XBRL	3,323
Increase in provision for HMRC tax settlement	460
TOTAL	25,716



2011 OPERATING INCOME IN PER CENT

- CONTRIBUTIONS (78.8)
- OTHER INCOME (0.1)
- REVENUE FROM PUBLICATIONS, EDUCATION AND XBRL (21.1)

2011 EXPENSES IN PER CENT

- SALARIES, WAGES AND BENEFITS (63.2)
- TRUSTEES' FEES (2.0)
- TRAVEL, ACCOMMODATION AND RELATED EXPENSES (9.9)
- OCCUPANCY EXPENSES (5.2)
- OTHER COSTS (5.0)
- COST OF PUBLICATIONS, EDUCATION AND XBRL (12.9)
- INCREASE IN PROVISION FOR HMRC TAX SETTLEMENT (1.8)



Contributions

The IFRS Foundation seeks to maintain a financing regime that enables it to fulfil its mission and, at the same time, ensure the independence and objectivity of the IASB's standard-setting process. To this end, as a result of the Trustees' Strategy Review, during 2012 the IFRS Foundation strengthened its segregation of its administrative functions, which includes fund-raising responsibilities from its standard-setting activities.

The basis of contributions to the IFRS Foundation has changed since the organisation's creation. It was originally financed through voluntary contributions from over 200 organisations. The majority of the IFRS 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.

The level of contributions in 2012 remained broadly consistent with the previous year. This reflects a mix of new or increased contributions received from several countries and at the same time, some decreases, particularly because of a reduction in voluntary contributions received from the US of approximately £0.5 million.

Publications and related activities

The IFRS Foundation provides licences and copyright waivers for jurisdictions adopting IFRS. The organisation seeks to ensure that copyright does not serve as an impediment to the adoption and use of IFRS. However, the IFRS Foundation acknowledges that, in order to ensure the consistent application of IFRS, protection of copyright is necessary. This remains a priority.

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

Publications and related revenues decreased by 3.6 per cent in 2012 to £5.3 million (2011: £5.5 million) with bound volumes sales performing below expectations. Other revenues, including royalties and eIFRS, remained at 2011 levels. Staff are examining options to augment revenue and to explore further opportunities to maximise the IFRS Foundation's intellectual property through the development of enhanced online services. Publication 2012 expenses were below 2011 levels.

Financial contributors

Expenses

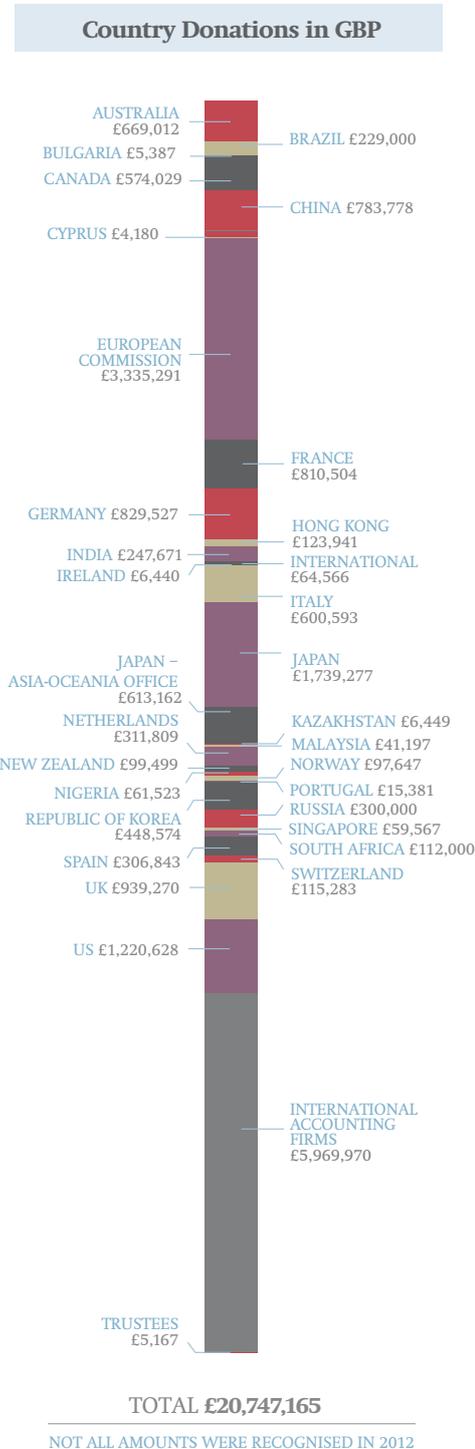
Total operating expenses were £23.8 million in 2012, a reduction of £1.9 million (2011: £25.7 million). Most of the decrease is attributable to savings in staff related costs for salaries and travel; appointments of replacement IASB members and staff occurred later than expected in some cases. Furthermore, during 2012 the IFRS Foundation has introduced an update to its travel policy that has contributed to a reduction of 17 per cent in travel expenses. A further reduction in expenses of £0.8 million was due to the favourable resolution of one of the pending HMRC tax issues resulting in a £0.3 million reduction of the provision in 2012 as compared to an expense of £0.5 million in 2011 (see note 15 of the financial statements).

Reserves

The IFRS Foundation's funding structure has made a priority of setting income requirements to meet its operational needs. The Trustees have begun consideration of proposals to enhance the current funding structure to potentially provide the IFRS Foundation with additional funding to meet its current operational needs and then to start to build reserves to provide sufficient resources to ensure the continuity of operations. The IFRS Foundation's current reserves are approximately £11 million with investments in bonds amounting to under £5 million. Several initiatives are expected to increase reserves both with increased funding and prudent control over the IFRS Foundation's operating expenditure.

2013 Outlook

The IFRS Foundation aims to maintain a balanced budget while meeting the projected targets of the IASB work plan and maintaining the range of services provided. Additional funding will be sought in the year ahead, primarily through increases in contributions both from existing contributors and from efforts to increase the number of contributing countries. Efforts will continue to bolster the IFRS Foundation's financial stability by building its reserves.



2012 Financial contributors

2012 financial supporters (amounts translated into sterling on date received)

Country	Organisation
Cumulative amount raised by country appears below country name	
AUSTRALIA £669,012	
£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 £5,387	Bulgarian National Bank
CANADA £574,029	
£100,000+	Chartered Professional Accountants of Canada
Less than £25,000	Office of the Superintendent of Financial Institutions Canada

Country	Organisation	
CHINA £783,778	<i>Through system created by the Ministry of Finance</i>	
£50,000+	Chinese Institute of Certified Public Accountants	Shanghai Stock Exchange
	China Ministry of Finance	Shenzhen Stock Exchange
£25,000+	China Development Bank	PetroChina Company Limited
	China Petroleum & Chemical Corporation	
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 Communications Co Ltd	China Vanke Co Ltd
	Beijing Capital Co Ltd	Donfeng Motor Corporation
	Beijing North Star Company Ltd	Huaneng Power International Inc
	China Construction Bank Limited	Industrial and Commercial Bank of China
	China COSCO Holdings Company Limited	Jingwei Textile Machinery Co Ltd
	China International Marine Containers (Group) Ltd	PICC Property and Casualty Company Limited
	China Life Assurance Company Limited	Ping An Insurance (Group) Company of China Ltd
	China Merchants Bank Co Limited	Tsingtao Brewery Co Ltd
	China Mobile Limited	Yanzhou Coal Mining Company Ltd
	China National Offshore Oil Corporation	ZTE Corporation
	China Shipping Container Lines Co Ltd	

Country	Organisation																								
CYPRUS £4,180	Central Bank of Cyprus																								
EU £3,335,291	European Commission																								
FRANCE £810,504	French Ministry of Finance (ANC)																								
GERMANY £829,527	<i>Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V. the German standard-setting organisation</i>																								
£25,000+	<table border="1"> <tbody> <tr> <td>Adidas AG</td> <td>Fresenius SE & Co. KGaA</td> </tr> <tr> <td>Allianz SE</td> <td>Henkel AG & Co. KGaA</td> </tr> <tr> <td>BASF SE</td> <td>K+S AG</td> </tr> <tr> <td>Bayer AG</td> <td>Linde AG</td> </tr> <tr> <td>Beiersdorf AG</td> <td>Merck KGaG</td> </tr> <tr> <td>BMW AG</td> <td>Münchener Rückversicherungs AG</td> </tr> <tr> <td>Commerzbank AG</td> <td>Robert Bosch GmbH</td> </tr> <tr> <td>Daimler AG</td> <td>RWE AG</td> </tr> <tr> <td>Deutsche Bank AG</td> <td>SAP AG</td> </tr> <tr> <td>Deutsche Post AG</td> <td>Siemens AG</td> </tr> <tr> <td>Deutsche Telekom AG</td> <td>ThyssenKrupp AG</td> </tr> <tr> <td>E.ON SE</td> <td>Volkswagen AG</td> </tr> </tbody> </table>	Adidas AG	Fresenius SE & Co. KGaA	Allianz SE	Henkel AG & Co. KGaA	BASF SE	K+S AG	Bayer AG	Linde AG	Beiersdorf AG	Merck KGaG	BMW AG	Münchener Rückversicherungs AG	Commerzbank AG	Robert Bosch GmbH	Daimler AG	RWE AG	Deutsche Bank AG	SAP AG	Deutsche Post AG	Siemens AG	Deutsche Telekom AG	ThyssenKrupp AG	E.ON SE	Volkswagen AG
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Country	Organisation
HONG KONG £123,941	
£50,000+	Hong Kong Exchanges & Clearing Ltd
£25,000+	Hong Kong Securities and Futures Commission
Less than £25,000	Hong Kong Monetary Authority
INDIA £247,671	<i>Contributions made through Stock Exchanges</i>
£100,000+	Bombay Stock Exchange Limited National Stock Exchange of India Limited
INTERNATIONAL £64,566	Bank for International Settlements
IRELAND £6,440	Central Bank & Financial Services Authority of Ireland
ITALY £600,593	Organismo Italiano de Contabilità
JAPAN £1,739,277 £613,162	Financial Accounting Standards Foundation Financial Accounting Standards Foundation - Restricted contribution for the Asia-Oceania office
KAZAKHSTAN £6,449	National Bank of Kazakhstan
MALAYSIA £41,197	Malaysian Accounting Standards Board
NETHERLANDS £311,809	
£100,000+	Ministry of Finance
Less than £25,000	De Nederlandsche Bank
NEW ZEALAND £99,499	External Reporting Board
NIGERIA £61,523	Financial Reporting Council of Nigeria
NORWAY £97,647	Financial Supervisory Authority of Norway
PORTUGAL £15,381	Banco de Portugal

Country	Organisation
REPUBLIC OF KOREA £448,574	<i>Contributions organised through Korea Accounting Standards Board</i>
£25,000 +	Financial Supervisory Service Samsung Fire & Marine Insurance Co, Ltd
	Samsung C&T Corporation Samsung Heavy Industries Co, Ltd
	Samsung Electronics Company, Ltd Samsung Life Insurance Corporation
Less than £25,000	Deloitte Anjin LLC NHN
	Doosan Heavy Industries & construction Samil PricewaterhouseCoopers
	Ernst & Young Han Young Samjong Accounting Corp
	GS Caltex Corporation Samsung Engineering Co, Ltd
	Hana Financial Group Inc. Samsung SDI Co, Ltd
	Hyundai Motor Company Samsung Securities Co.LTD
	Industrial Bank of Korea Shinhan Financial Group Co, Ltd
	KB Financial Group Inc. SK Telecom
	KCC Corporation S-Oil Corporation
	Korea Institute of Certified Public Accountants STX Corporation
	KT Woori Financial Group
	Lotte Shopping Co, Ltd
RUSSIA £300,000	Ministry of Finance of the Russian Federation
SINGAPORE £59,567	
£50,000	Ministry of Finance
Less than £25,000	Monetary Authority of Singapore
SOUTH AFRICA £112,000	
Less than £25,000	ABSA Lonmin
	Anglo American Platinum MTN Group Management Services Proprietary Limited
	AngloGoldAshanti Nedbank
	Barloworld SA Pick 'n Pay
	Deloitte PPC Group
	Discovery Health PricewaterhouseCoopers
	Ernst & Young Remgro Ltd
	Exxaro Sasol
	Firststrand Shoprite Group
	Imperial Group Sizwe Ntsaluba Gobodo
	Johannesburg Stock Exchange Standard Bank
	KPMG



Country	Organisation	
SPAIN £306,843	Bolsas y Mercados Españoles	
SWITZERLAND £115,283		
£50,000+	SwissHoldings	
Less than £25,000	Swiss National Bank	Orascom Development Holding
	Allreal Holding AG	
UNITED KINGDOM £939,270	<i>Levy system organised by Financial Reporting Council</i>	
UNITED STATES OF AMERICA £1,220,628		
£100,000+	Bank of America	Goldman Sachs Group Inc
	Citigroup	J P Morgan Chase
£50,000+	CFA Institute	Moodys
	Cisco	Morgan Stanley
	ExxonMobil	Pfizer Inc
	IBM	TIAA-CREF
	Microsoft Corp	
£25,000+	Board of Governors of the US Federal Reserve System	Oracle
	General Motors	Procter & Gamble
Less than £25,000	DuPont	United Technologies
	PepsiCo	

International Accounting Firms		
£5,969,970		
(US\$2.25 million each)	Deloitte & Touche	KPMG
	Ernst & Young	PricewaterhouseCoopers
£50,000+	BDO (Brussels Worldwide Services bvba (US\$150,000)	Mazars (US\$100,000)
	Grant Thornton (US\$150,000)	
Trustees		
£5,167	One Trustee waived his fee.	

Report of the independent auditor

We have audited the financial statements of the IFRS Foundation for the year ended 31 December 2012, 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 IFRSs.

This report is made solely to the IFRS Foundation's Trustees, as a body, in accordance with our engagement letter dated 10 December 2012 to you and for no other purpose. Our audit work has been undertaken so that we might state to the IFRS Foundation's Trustees those matters that 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 IFRS Foundation and the IFRS 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 IFRS Foundation's Trustees are responsible for the preparation of the financial statements in accordance with the IFRS Foundation's Constitution and IFRSs, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with the IFRS 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 IFRS Foundation's affairs as at 31 December 2012 and of its comprehensive income for the year then ended; and
- have been properly prepared in accordance with IFRS.



BDO LLP
Chartered Accountants
London
United Kingdom
10 April 2013

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	2012 £'000	2011 £'000
INCOME			
Standard-setting			
Contributions	3	20,030	20,562
Other income		149	37
		20,179	20,599
Publications, education and XBRL			
Revenue from publications, education and XBRL	4(a)	5,324	5,522
		25,503	26,121
EXPENSES			
Standard-setting			
Salaries, wages and benefits	5	(15,571)	(16,253)
Trustees' fees	6	(631)	(505)
Travel, accommodation and related expenses	7	(2,113)	(2,542)
Occupancy expenses	8	(1,367)	(1,335)
Other costs	9	(1,236)	(1,298)
Reduction (increase) in provision for HMRC tax settlement	15	290	(460)
		(20,628)	(22,393)
Publications, education and XBRL			
Cost of publications, education and XBRL	4(b)	(3,208)	(3,323)
		(23,836)	(25,716)
OPERATING INCOME		1,667	405
Finance income	10	883	577
Finance costs	10	(126)	(274)
INCOME BEFORE TAX		2,424	708
Income tax expense	14	-	-
COMPREHENSIVE INCOME FOR THE YEAR		2,424	708

Statement of changes in equity

YEAR ENDED 31 DECEMBER	2012	2011
Retained surplus at beginning of year	8,415	7,707
Comprehensive income for the year	2,424	708
RETAINED SURPLUS AT END OF YEAR	10,839	8,415

The notes on pages 46–52 form part of these financial statements.

Statement of financial position

AS AT 31 DECEMBER	Notes	2012 £'000	2011 £'000
ASSETS			
Current assets			
Cash and cash equivalents		8,379	6,997
Contributions receivable	3	1,674	1,808
Trade and other receivables		716	963
Prepaid expenses		668	567
Inventories		153	249
Bonds at fair value	12	760	3,403
Forward currency contracts at fair value	12	371	112
		12,721	14,099
Non-current assets			
Bonds at fair value	12	4,023	1,395
Forward currency contracts at fair value	12	40	128
Leasehold improvements, furniture and equipment	11(a)	793	518
		4,856	2,041
TOTAL ASSETS		17,577	16,140
LIABILITIES			
Current liabilities			
Trade and other payables		265	269
Payroll taxes payable		627	544
Accrued expenses		1,285	1,424
Provision for HMRC tax settlement	15	94	436
Contributions received in advance	3	2,695	2,991
Rent incentive		82	82
Publications revenue received in advance		871	728
Forward currency contracts at fair value	12	-	169
		5,919	6,643
Non-current liabilities			
Forward currency contracts at fair value	12	15	195
Lease reinstatement obligation	11(b)	413	413
Rent incentive		391	474
		819	1,082
TOTAL LIABILITIES		6,738	7,725
NET ASSETS		10,839	8,415

The notes on pages 46–52 form part of these financial statements. The financial statements on pages 43–52 were approved by the Trustees of the IFRS Foundation on 10 April 2013 and authorised for issue on 10 April 2013.



Michel Prada, Chair of the Trustees

Statement of cash flows

YEAR ENDED 31 DECEMBER	Notes	2012 £'000	2011 £'000
OPERATING ACTIVITIES			
Cash received			
Contributions		19,385	22,895
Publications, education and XBRL		5,276	5,977
Funding for Tokyo office	3	613	–
Interest		259	252
Foreign exchange settlements		88	–
Other receipts		29	32
Cash paid			
Salaries, wages and benefits		(15,994)	(15,685)
Publications direct costs		(2,942)	(3,226)
Trustees' fees		(724)	(523)
Foreign exchange settlements		–	(109)
Other expenses		(4,025)	(6,023)
NET CASH FROM OPERATING ACTIVITIES		1,965	3,590
INVESTING ACTIVITIES			
Matured bonds receipts		3,226	1,191
New bond purchases		(3,307)	–
Purchase of leasehold improvements, furniture and equipment		(488)	(189)
NET CASH (DECREASES) INCREASES FROM INVESTING ACTIVITIES		(569)	1,002
Effects of exchange rate changes on cash and cash equivalents		(14)	45
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,382	4,637
Cash and cash equivalents at the beginning of the period		6,997	2,360
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13(a)	8,379	6,997

The notes on pages 46–52 form part of these financial statements.

Notes to the financial statements

1. Legal form and objectives

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 should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions;
- (b) to promote the use and rigorous application of those standards;
- (c) in fulfilling the objectives associated with (a) and (b) to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings;
- (d) to promote and facilitate adoption of International Financial Reporting Standards (IFRSs), being the Standards and Interpretations issued by the International Accounting Standards Board (IASB), 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 Interpretations Committee and the Advisory Council.

2. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with IFRS. The policies have been consistently applied to all years presented, unless otherwise stated.

In 2009 the IFRS Foundation elected to apply IFRS 9 *Financial Instruments* (IFRS 9) earlier than the effective date.

(b) Contributions

Contributions are recognised as revenue in the year designated by the contributor. The estimated fair value of donated services is recognised as contribution revenue provided the services can be reliably measured and would normally have otherwise been purchased.

(c) Publications

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 cost of sales is comprised of printing, salaries, promotion, technology and various related overhead costs.

(d) Inventories

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

(e) Depreciation

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

(f) Office accommodation – operating leases

The IFRS Foundation's lease of office space is classified and accounted for as an operating lease. Lease payments for office space, including amounts for the cost of reinstating a building on expiration of the lease, 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.

(g) 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. Monetary assets and liabilities are translated into sterling at the exchange rate at the end of the reporting period. Exchange differences are recognised in the statement of comprehensive income.

(h) Financial instruments

Bonds and derivatives (forward currency contracts) are recognised at fair value and subsequently measured at fair value through profit or loss. The IFRS Foundation manages and receives information on its investments in bonds on a fair value basis. The IFRS Foundation uses forward currency contracts to manage its foreign currency risk.

All other financial instruments are recognised at fair value plus transaction costs and subsequently measured at amortised cost.

(i) 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 with 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 a provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

(j) New Standards and Interpretations issued

The financial statements have been drawn up on the basis of accounting Standards, Interpretations and amendments effective or early adopted at the beginning of the accounting period on 1 January 2012.

The IFRS Foundation has concluded that there are no relevant Standards or Interpretations in issue that are not yet adopted that will have a material impact on the IFRS Foundation's financial statements.

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. However, voluntary systems remain in place in some jurisdictions.

Contributions received before 31 December 2012, amounting to £2,695,000 (2011: £2,991,000), 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 2012, amounting to a total of £1,674,000 (2011: £1,808,000), specifically designated by the contributors for use by the IFRS Foundation in 2012, were recognised as revenues at the end of 2012 and included as contributions receivable.

Separate funding of £613,000 was received for the set-up and operating costs of the Tokyo office; £130,000 has been recognised as other income to offset the current year's costs that commenced 1 October 2012.

4. Publications, education and XBRL

(a) Revenue from publications, education and XBRL

	2012 £'000	2011 £'000
Sales of subscriptions and publications	3,065	3,260
Royalties and permission fees	2,031	2,031
Other related activities, including education and XBRL	228	231
TOTAL	5,324	5,522

(b) Cost of publications, education and XBRL

	2012 £'000	2011 £'000
Staff/employee related costs (see note 5)	1,717	1,666
Costs of goods sold	542	577
Depreciation	39	39
Other costs, including occupancy expenses	910	1,041
TOTAL	3,208	3,323

5. Salaries, wages and benefits

The IFRS Foundation had an average of 127 employees (including IASB members and interns) during 2012 (2011: 125).

	2012 £'000	2011 £'000
Staff costs, including IASB members' salaries and other costs	14,964	15,627
Contributions to defined contribution pension plans	607	626
	15,571	16,253
Staff costs included in publications expenses (see note 4)		
Salaries and other costs	1,604	1,575
Contributions to defined contribution pension plans	113	91
	1,717	1,666
TOTAL	17,288	17,919

The Trustees' Human Capital Committee is responsible for reviewing, bench-marking and making recommendations on salary and benefit levels. These recommendations are reviewed and approved annually by the Trustees as a whole. Effective April 2012, the Trustees approved annual remuneration levels resulting in the following gross salaries: £537,800 for the IASB Chair (2011: £527,200); £474,100 for the IASB Vice-Chair (2011: £464,900); and an average of £440,200 for other full-time members (2011: £435,200).

6. Trustees' fees

The Trustees are remunerated by an annual fee and are reimbursed for the expenses of their travel on IFRS Foundation business; there were 21 Trustees in 2012 (2011: 20). In 2012 the fee for the Chair of the Trustees was £200,000 (2011: £100,000 for Acting Co-Chairs of the Trustees). The mix of annual fees for the other Trustees changed during 2012 to a fixed fee of £20,000 with an additional £7,000 paid to the committee chairs; the change maintains these fees at the prior year level. Previously, other Trustees received a fixed fee of £12,500 and an attendance fee of £1,000 for each formal meeting.

7. Travel, accommodation and related expenses

	2012 £'000	2011 £'000
COST INCURRED BY:		
IASB Members	674	944
Trustees	543	536
IFRS Interpretations Committee and IFRS Advisory Council	409	409
Other IFRS Foundation staff	487	653
TOTAL	2,113	2,542

8. Occupancy expenses

	2012 £'000	2011 £'000
Rent	786	725
Service charges	205	208
Rates, insurance and energy	450	456
Depreciation	211	210
	1,652	1,599
Less amounts included in publications costs	(285)	(264)
TOTAL	1,367	1,335

9. Other costs

	2012 £'000	2011 £'000
Communication and technology	520	528
Audit, legal and taxation fees	254	211
External relations	90	116
Recruitment activities	158	124
Other	214	319
TOTAL	1,236	1,298

10. Finance income and finance costs

FINANCE INCOME	2012 £'000	2011 £'000
Interest income—deposits	23	9
Fair value gains on forward foreign exchange contracts	647	481
Fair value gains on bonds	139	87
Exchange gains	74	–
TOTAL	883	577

FINANCE COSTS	2012 £'000	2011 £'000
Fair value losses on forward foreign exchange contracts	(126)	(210)
Exchange losses	–	(64)
TOTAL	(126)	(274)

11. Leases

(a) Leasehold improvements, furniture and equipment

	Leasehold improvements £'000	Furniture, equipment £'000	TOTAL £'000
COST			
At 1 January 2012	1,073	1,046	2,119
Additions	173	315	488
Disposals/retirements	–	(320)	(320)
At 31 December 2012	1,246	1,041	2,287
ACCUMULATED DEPRECIATION			
At 1 January 2012	813	788	1,601
Charge for the year	49	162	211
Disposals/retirements	–	(318)	(318)
At 31 December 2012	862	632	1,494
NET CARRYING AMOUNT AT 31 DECEMBER 2012	384	409	793
NET CARRYING AMOUNT AT 31 DECEMBER 2011	260	258	518

(b) Lease commitments

Lease commitments relate to operating leases for office space with lease terms expiring in September 2018 in London and September 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	2012 £'000	2011 £'000
Within one year	855	798
In two to five years	3,419	3,437
More than five years	947	1,827
TOTAL	5,221	6,062

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

The IFRS Foundation is committed to make payments to cover the cost of reinstating the London building when the lease expires in September 2018 and the Tokyo building when the lease expires in September 2022. The estimated amount assumes that the London reinstatement work would take place in 2018, subject to the option to extend the lease for a further 10 years, which could affect the timing of any outflow.

12. Financial instruments

For accounting purposes, the IFRS Foundation categorises its financial instruments based on their measurement, namely financial instruments at fair value through profit or loss or financial instruments at amortised cost.

Financial instruments at fair value through profit or loss

	Fair value	Notional value	Fair value	Notional value
FINANCIAL ASSETS	2012 '000	2012 '000	2011 '000	2011 '000
Bonds, including accrued interest	£4,783	£4,673	£4,798	£4,723
Forward foreign exchange contracts USD	£230	\$19,500	-	-
Forward foreign exchange contracts Euro	£181	€3,300	£240	€6,600
FINANCIAL LIABILITIES				
Forward foreign exchange contracts USD	£(5)	\$5,800	£(364)	\$24,650
Forward foreign exchange contracts Euro	£(10)	€3,300	-	-

The IFRS Foundation measures all other financial instruments at amortised cost. The carrying amount of these instruments is a reasonable approximation of their fair value. These financial instruments include:

- **Financial assets:** cash and cash equivalents; contributions receivable; and publication related receivables.
- **Financial liabilities:** trade and other payables; and contributions received in advance.

13. Financial risk management

The IFRS Foundation's activities and holdings of financial instruments, expose it to financial risks namely liquidity, interest rate, credit and currency risks. This note describes the organisation's objectives, policies and processes for managing those risks and the methods used to measure them.

(a) Liquidity and interest rate risk

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. Part of the cash at bank is held in Euros, Japanese Yen and US Dollar accounts.

Bond holdings: The Trustees have invested surplus funds of the IFRS Foundation in sterling-denominated, fixed rate bonds of international organisations, with AAA ratings at the time of purchase; these funds are reserves for continuing operations. The IFRS Foundation manages and receives information, from its advisors, on its investments in bonds on a fair value basis that includes value changes attributable to interest rate risk. Information is provided on that basis to the Trustees and key management personnel. Bond values are quoted on active markets (described as level 1) and can be converted into cash if necessary.

(b) Credit risk

The IFRS Foundation is not exposed to material credit risk as investments are with highly rated and established institutions and contributions are due primarily from large regulatory or governmental bodies. For publications and subscriptions sales the IFRS Foundation generally does not offer credit. For licensing and royalty arrangements some credit risk arises. If accounts receivable are unpaid six months or more after the invoice date, the IFRS Foundation considers the amount impaired and recognises a bad debt provision. At 31 December 2012 the amount provided for was £55,000 (2011: £19,000).

(c) Foreign currency risk

The IFRS Foundation's expenses arise largely in sterling, whereas the organisation receives funding and future financing commitments, under various funding regimes, primarily in US Dollars and Euros. Some expenses are incurred and paid in US Dollars and Euros after which the net contributions in those currencies are exchanged for sterling. This exposes the organisation to currency risk.

The Trustees have implemented a strategy to mitigate the foreign exchange fluctuations and timing risks connected with these expected future net contributions. The IFRS Foundation generally forward sells approximately 90 per cent of its expected net US Dollar contributions and 50 per cent of its expected net Euro contributions to fix a sterling equivalent. Foreign currency is sold forward on a two-year rolling basis. See note 12 for more information on the fair value of these forward contracts.

As at 31 December 2012 the IFRS Foundation had sold forward, on a two-year rolling basis, US Dollar \$25,300,000 at a weighted average rate of 1.602 (2011: \$24,650,000 at a weighted average rate of 1.589). It had also sold forward, on a two-year rolling basis Euro £6,600,000 at a weighted average rate of 1.186 (2011: £6,600,000 at a weighted average rate of 1.151).

All non-current forward contracts expire in 2014 (2011: expire in 2013).

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(d) Foreign currency sensitivity

As a result of its use of forward contracts as described above, the IFRS Foundation is exposed to the currency risk associated with the remaining 10 per cent of projected net US Dollar contributions and 50 per cent of projected net Euro contributions that are not covered by the forward contracts.

A potential 10 per cent increase in average exchange rates for sterling would have produced estimated losses on the remaining 10 per cent of actual net US Dollar contributions received during the year of £130,000 and on the remaining 50 per cent of actual net Euro contributions received during the year of £290,000. To the extent that projected contributions in either currency change, the IFRS Foundation actively manages the amount of each currency forward sold.

14. 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 2012 the taxation expense is calculated on that basis, and is estimated to be £nil (2011: £nil). On the basis of activity for 2012 and from previous years, at the end of 2012 the IFRS Foundation is carrying forward a loss for UK tax purposes of £3,626,000 (2011: £2,728,000). Consistently with IAS 12 *Income Taxes*, the IFRS Foundation does not recognise this loss as a deferred tax asset, because of the uncertainty of being able to utilise these losses in the future.

15. Reduction (increase) in provision for HMRC tax settlement

In May 2011 the UK tax authority (HMRC) began a review of the IFRS Foundation's records related to the employment taxation of staff and secondees from other jurisdictions, as well as for other more general taxation matters. Because of time-limited nature of their inquiry, the HMRC requested and the IFRS Foundation agreed to make payments on account of £76,000 (2011: £24,000), on a without prejudice basis pending final resolution and settlement.

During 2012 the HMRC agreed with the IFRS Foundation's position on one of the significant outstanding issues; as a result, a reduction in provision of £290,000 has been recognised in the statement of comprehensive income. Discussions are progressing on the remaining issue and a final liability has not been assessed by the HMRC. An estimated remaining cost of £170,000 (2011: £460,000) has been provided and the net liability after payments on account amounts to £94,000 (2011: £436,000).

16. Approval of financial statements

These financial statements were approved by the Trustees of the IFRS Foundation on 10 April 2013 and authorised for issue on 10 April 2013, and at that date there were no significant events after the reporting period.



MEMBERS OF THE IASB AND STAFF OF THE FOUNDATION WHO SERVED DURING 1ST JANUARY 2012 – 31ST DECEMBER 2012

International Accounting Standards Board® (IASB®)

The IASB is the independent standard-setting body of the IFRS Foundation

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