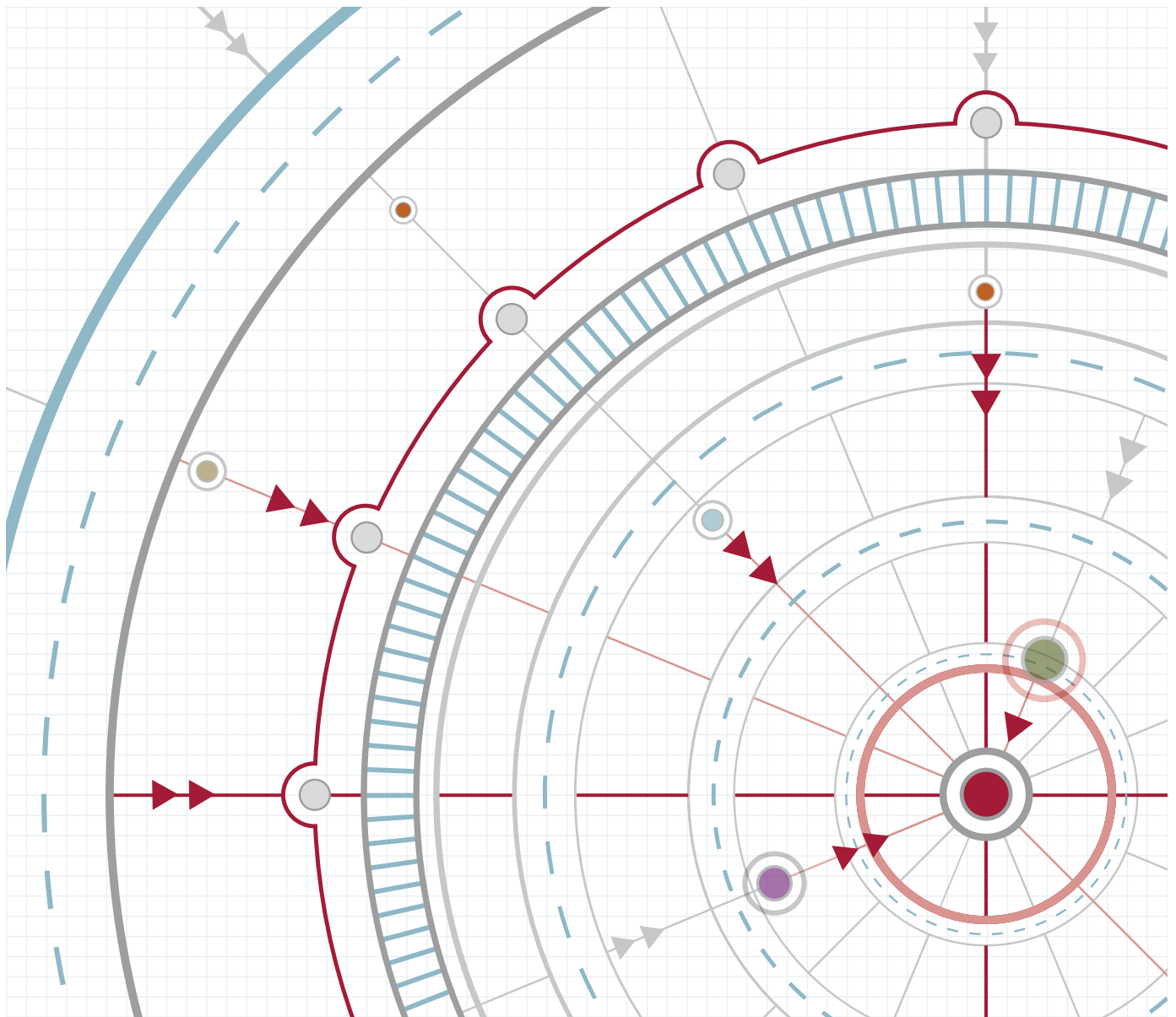


# ANNUAL REPORT 2013

Charting progress towards global accounting standards



## 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



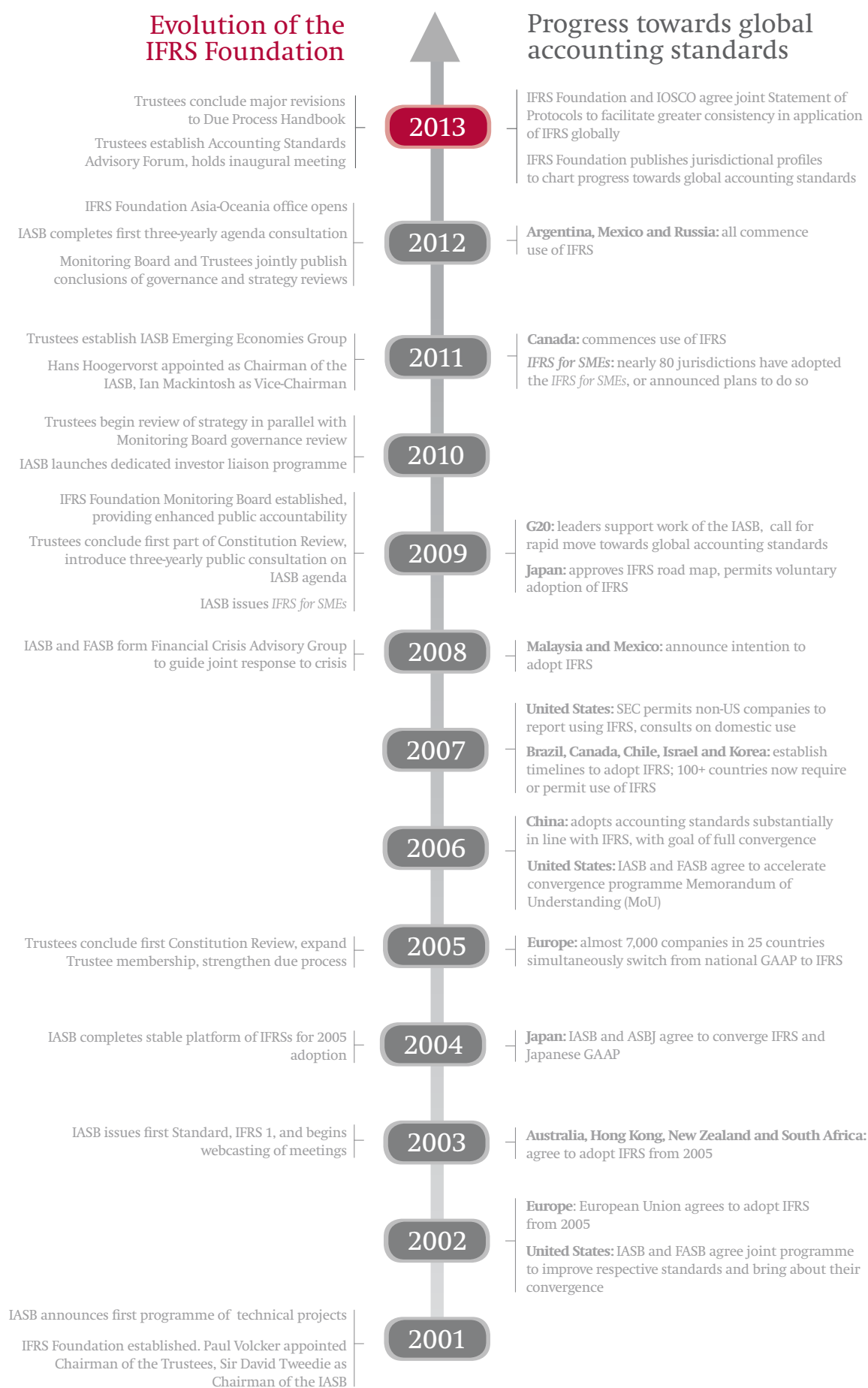
\* Accounting Standards Advisory Forum (representatives of international standard-setting community)

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## Evolution of the IFRS Foundation

## Progress towards global accounting standards



# 1. IFRS FOUNDATION

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# REPORT OF THE CHAIRMAN OF THE MONITORING BOARD

The Monitoring Board welcomed two new members, from Brazil and Korea. The objective of this expansion is to respond to the need for stronger and more effective co-ordination between authorities responsible for setting the form and content of financial reporting in the major capital market jurisdictions. It is a reflection of the increasingly globalised nature of the world's capital markets, and the greater importance of emerging markets in them.



MASAMICHI KONO  
CHAIRMAN  
IFRS FOUNDATION MONITORING BOARD

The Monitoring Board (MB) was created in 2009 in order to establish a formal link between the IFRS Foundation and the capital markets authorities responsible for setting the form and content of financial reporting in their jurisdictions. The MB provides oversight of the governance and standard-setting activities of the IFRS Foundation. To accomplish its mission, the MB regularly meets with the IFRS Foundation Trustees and discusses various issues concerning its governance and due process in standard-setting. The MB also approves the appointment of the Trustees and discusses issues related to ensuring stable and appropriate public funding of the IFRS Foundation's activities. Transparency and accountability to the public are important objectives of the MB's activities.

During 2013 the MB proceeded with actions to complete its Governance Review, which included making several enhancements to the IFRS Foundation's three-tiered governance framework, as recommended by the Final Report on the Review of the IFRS Foundation's Governance published in February 2012. The MB subsequently revised its Charter and Memorandum of Understanding with the IFRS Foundation to reflect the recommendations of the Governance Review.

A major step was the review and expansion of the membership of the MB. As a part of the Governance Review, the MB decided to expand its membership to include up to four additional authorities as permanent members, primarily from major emerging market authorities, as well as to add two rotating members in consultation with the International Organization of Securities Commissions (IOSCO). To implement these enhancements, the MB agreed upon a set of membership criteria in March 2013. The criteria include a commitment by MB members to demonstrate the use of IFRS in their jurisdictions' capital markets, as well as a commitment to contribute to the IFRS Foundation's funding. All MB members are committed to promoting the development of a single set of high quality global accounting standards.

On 28 January 2014, following a public call for nominations, the MB announced the addition of two new permanent members: the Comissão de Valores Mobiliários (CVM) of Brazil and the Financial Services Commission (FSC) of Korea. This expansion will make the MB more inclusive, effective and accountable in exercising its responsibility over the governance of the IFRS Foundation and ensuring public accountability of the standard-setting process by the International Accounting Standards Board (IASB), while maintaining its independence in standard-setting. The MB continues to assess further applications for the two remaining permanent seats available.

In conjunction with the expansion of the number of permanent members, the MB has started a process of selecting additional rotating members in consultation with IOSCO, and is also working on a peer review process of its existing members. The newly agreed membership criteria apply to both the new rotating members as well as the existing members.

The MB has also recently focused on how to ensure stable and appropriate public funding for the IFRS Foundation's standard-setting activities. While ensuring appropriate funding by user jurisdictions of IFRS is primarily the responsibility of the

# MEMBERS OF THE MONITORING BOARD

Trustees, the MB provides advice and supports efforts by the Trustees to ensure stable and appropriate sources of public funding for the IFRS Foundation. A number of jurisdictions using IFRS have not made contributions to the IFRS Foundation despite the growing importance of their capital markets, and the MB Chairman has been calling upon the authorities in those jurisdictions to look into the matter.

The MB made important progress in 2013, taking steps to make its governance of the standard-setting process of the IFRS Foundation more inclusive, effective and accountable in the face of a growing global stakeholder base. In 2014, steps are being taken to further this work and the MB will aim to substantially complete the implementation of the measures recommended in its Governance Review by the end of this year. The MB is firmly and continuously committed to implementing further measures to improve the governance of the Trustees over the standard-setting process, and making progress in working toward a single set of global accounting standards for the benefit of all global stakeholders.



Masamichi Kono  
Chairman  
IFRS Foundation Monitoring Board

At 31 December 2013

## Monitoring Board members

### Masamichi Kono (Chairman)

Vice Commissioner for International Affairs of the Financial Services Agency, Japan

### Ryutaro Hatanaka

Commissioner of the Financial Services Agency, Japan

### Mary Jo White

Chairman of the Securities and Exchange Commission, United States

### Michel Barnier

Commissioner for Internal Market and Services, European Commission

### Greg Medcraft

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

### Bert Chanetsa

Representative of the IOSCO Growth Emerging Markets Committee (Vice-Chair), Deputy Executive Officer Capital Markets, Financial Services Board, South Africa

## Observer

### René van Wyk

Representative of the Basel Committee on Banking Supervision

## Additional members appointed in 2014

### Leonardo Porciúncula Gomes Pereira

Chairman of the Brazilian Securities Commission, Brazil

### Je-Yoon Shin

Chairman of the Financial Services Commission, Republic of Korea

# REPORT OF THE CHAIRMAN OF THE IFRS FOUNDATION TRUSTEES

The theme of this year's annual report is 'charting progress towards global accounting standards'. I am pleased to report that during 2013 we continued to make good progress in our work to establish IFRS as global accounting standards and to further strengthen the institutional underpinnings of the IFRS Foundation as the global accounting standard-setter.



MICHEL PRADA  
CHAIRMAN  
IFRS FOUNDATION TRUSTEES

Any charting exercise involves a starting point and a destination. The starting point for the IFRS Foundation was little more than 10 years ago—a point when nearly every country in the world maintained its own set of national accounting standards. Since that point, almost all those countries have invested considerable resources in developing and implementing plans to make the transition from national accounting standards to IFRS as the single set of high quality, global accounting standards—the destination, if you like. Our Standards are trusted by market participants and regulatory authorities all over the world, while capital markets covering more than half of the world's gross domestic product report using IFRS.

## Paths to IFRS adoption

As is common with any process of international standardisation, different countries have followed different paths and are at different stages on their journey towards IFRS adoption. For most countries, IFRS is no longer a 'new' phenomenon. It has been almost 10 years since the first wave of jurisdictions adopted IFRS. For such jurisdictions, the problems associated with national standards have been largely forgotten while the high quality and international comparability associated with IFRS is taken for granted as an entirely familiar feature of modern financial reporting. Here, the challenge for the global financial reporting community is no longer issues around the adoption of IFRS but instead the consistent application of those Standards across national borders.

At the same time, other parts of the world have yet to complete their transitions to IFRS or to determine which path to take. But even here, most of these jurisdictions already permit the use of IFRS by some companies. For example, in the United States more than 450 non-US companies with a total market capitalisation of more than US\$5 trillion report to the Securities and Exchange Commission (SEC) using IFRS as issued by the IASB, while US investors investing internationally are prolific users of IFRS-compliant financial statements.

The challenge for the IFRS Foundation is how best to support developed and emerging economies alike at whatever point they are on their journey towards IFRS adoption. Consistent with the recommendations of the Trustees' Strategy Review and the Monitoring Board Governance Review, we have focused on four specific areas during 2013.

## Achievements during 2013

First, the IFRS Foundation completed a major research project that sought to provide greater clarity on where individual countries were on their transitions to IFRS adoption. The work was led by former member of the IASB Paul Pacter and involved the collation and validation of information about IFRS adoption from public jurisdictional authorities, as well as other international institutions and the large accounting firms. As a result of this extensive cross-checking of information, we have a high degree of confidence in the veracity of the information provided.

At the time of writing, we have posted on the IFRS website 130 jurisdictional profiles representing more than 96 per cent of the total capitalisation of all the world's financial markets. Of those jurisdictions, 81 per cent already require the use of IFRS for all or most publicly listed companies while most of the other jurisdictions permit or require IFRS for at



Today, the IFRS Foundation is one of the most transparent and accountable international organisations, regardless of whether the comparator is a public or a private sector organisation.

least some companies. Furthermore, more than half of all jurisdictions that we have profiles for already require or permit the use of the *IFRS for SMEs*. We intend to maintain this database as a central and authoritative source of information on the progress of IFRS and we are grateful for the work done by the many contributors around the world to keep this data accurate and relevant. Further information on the IFRS profiles can be found on page 10.

Second, the IFRS Foundation has also taken steps to encourage greater consistency in the application of IFRS globally. During 2013 the IFRS Foundation and the International Organization of Securities Commissions (IOSCO) agreed a joint Statement of Protocols under which the two organisations will deepen their co-operation in support of their shared commitment to the highest standards of financial reporting on a worldwide basis. Furthermore, through its Education Initiative and the work of the Translation, Adoption and Copyright

team, the IFRS Foundation is providing increased levels of support to developing economies in their preparations for IFRS adoption.

Third, during the year we also signalled a move to a more inclusive, multilateral approach to our relationships with the global accounting standard-setting community with the creation of the Accounting Standards Advisory Forum (ASAF). The ASAF is composed of 12 representatives of major national or regional bodies with an interest in accounting standard-setting. The ASAF held its inaugural meeting in April and has held three further meetings during 2013, including one by videoconference. While the IASB will continue to work in close co-operation with accounting standard-setters around the world, the ASAF has become an important platform for the IASB's multilateral engagement. Its members agree that the ASAF will deepen their participation in the standard-setting process.

Fourth, the Trustees have overseen the introduction of further innovations to enhance the institutional underpinnings of the IFRS Foundation itself. In February 2013, the Trustees published revised versions of the IFRS Foundation Constitution and the *Due Process Handbook* to incorporate the necessary enhancements to our constitution and due process emanating from the Strategy and Governance Reviews. The *Due Process Handbook* is central to maintaining the legitimacy of the work of the IASB, because it serves as the guarantor of the inclusiveness and transparency of the IASB's activities and of the extent to which the standard-setting process is both honest and fair. The most recent enhancements build upon a process that has already been independently assessed as the most advanced among comparable international organisations. Additional sections have been added that deal with the work of the Trustees' Due Process Oversight Committee and that incorporate steps to be followed by the IASB in evaluating the likely effects of an IFRS and for completing Post-implementation Reviews of new and amended Standards.

As a result of these and other achievements during 2013, I am pleased to confirm that we have now completed

almost all of the recommendations of the Strategy and Governance Reviews and we have strategies in place to finalise the last remaining elements. Today, the IFRS Foundation is one of the most transparent and accountable international organisations in its field, regardless of whether the comparator is a public or a private sector organisation.

The appropriateness of its governance structure and internal organisation has been reaffirmed through public consultation, while the extent and thoroughness of its due process and consultation activities are, I believe, second to none.

## Priorities for 2014

Building on recent achievements, the Trustees have identified five strategic priorities for 2014.

First, the Trustees will support the IASB in completing the outstanding projects on its convergence agenda with the US national standard-setter, the Financial Accounting Standards Board (FASB). This will enable the IFRS Foundation and the IASB to fully implement the move to the multilateral approach to standard-setting delivered through the IFRS Advisory Council, the ASAF and other advisory groups.

Second, the organisation will further develop its co-operation with other international organisations in order to fully integrate its activities and Standards into the fabric of the global regulatory infrastructure. The IASB is already a full member of the Financial Stability Board and works in close co-operation with other international bodies such as the Basel Committee on Banking Supervision, the International Monetary Fund and the World Bank. The recent agreement with IOSCO serves as a useful template on which to further develop its relationships with other important international bodies.

Third, the organisation will take steps to deepen its co-operation with jurisdictions that have already completed their transitions to IFRS as well as with those that have yet to do so. The IFRS Foundation has already introduced internal committees that seek to co-ordinate activity in the areas of adoption and implementation of IFRS, as well as co-ordinating stakeholder engagement activities. During 2014, the role of these committees will be further enhanced to focus our limited resources in the areas that are most important for achieving the mission of the IFRS Foundation. In addition to this work, the Trustees will encourage the IASB to build upon the agreement with

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# 81 %

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**Percentage of jurisdictions surveyed that require the use of IFRS for all or most publicly listed companies.**

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IOSCO and to seek further opportunities for co-operation with others to promote greater consistency in the use of IFRS around the world.

Fourth, the organisation will seek further enhancements to the long-term funding arrangements of the IFRS Foundation and to further maximise its operational efficiency. Progress has already been made in this area. In early 2014, the European Parliament approved the EU's funding package for the IFRS Foundation from 2014 to 2020, while in February 2014 the US Financial Accounting Foundation made a US\$3 million contribution to the IFRS Foundation. The Trustees will continue to work with the members of the MB, as well as with

representatives from jurisdictions around the world, to further bolster its long-term funding arrangements. The IFRS Foundation will also seek further opportunities to increase its self-generated income through its publication activities and the Education Initiative.

With regard to operational activities, during 2013 the IFRS Foundation introduced various enhancements to its control and risk management processes, while also continuing to review and improve cost-saving measures in areas including travel and other kinds of expenditure. During 2014, it will undertake an external review of its operational expenditure in order to identify whether further savings can be achieved.

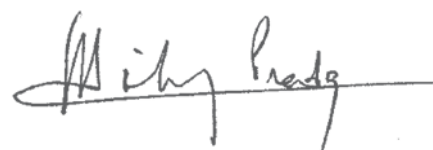
Fifth, the Trustees will begin preparations for the 2015 review and public consultation on the structure and effectiveness of the IFRS Foundation. The IFRS Foundation undertakes regular reviews of its Constitution and strategy as part of a continuous effort to enhance our structure and operations and in order to perform our global role in the best possible manner. The Trustees have

The appropriateness of the IFRS Foundation's governance structure and internal organisation has been reaffirmed through public consultation, while the extent and thoroughness of its due process and consultation activities are, I believe, second to none.

already identified several topics for the review to consider; for example, seeking feedback on the optimum size of the IASB and a review of the effectiveness of the ASAF after two years of operation. This is an important opportunity for the views of all interested parties to be heard and considered. I and my fellow Trustees are keen to encourage broad participation in this consultation and will take soundings from interested parties, including the MB, in determining a full and effective set of points for consideration.

In closing, I would like to thank the many people, both within and outside of our organisation, that have helped to create something very special. I was fortunate enough to be involved in the creation of the IFRS Foundation and the IASB. At that time, none of us would

have believed how successful an endeavour this would become. It is thanks to the hard work and dedication of the financial reporting community around the world, and for others that believe in our work and that have supported us financially and through other means, that this project has been the success that it has. For that, on behalf of the Trustees, I am truly thankful.

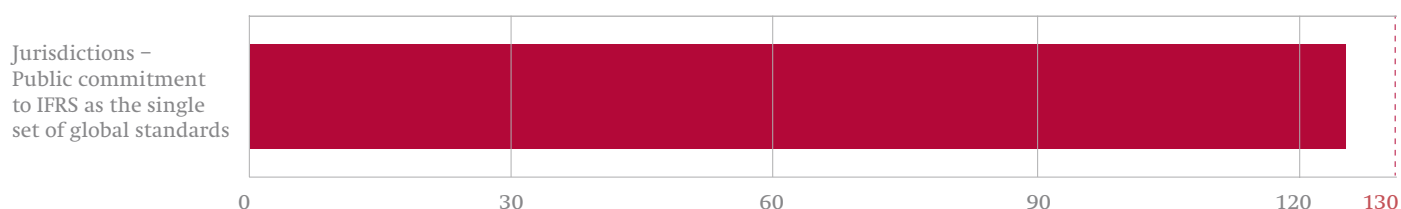


Michel Prada  
Chairman of the IFRS Foundation  
Trustees

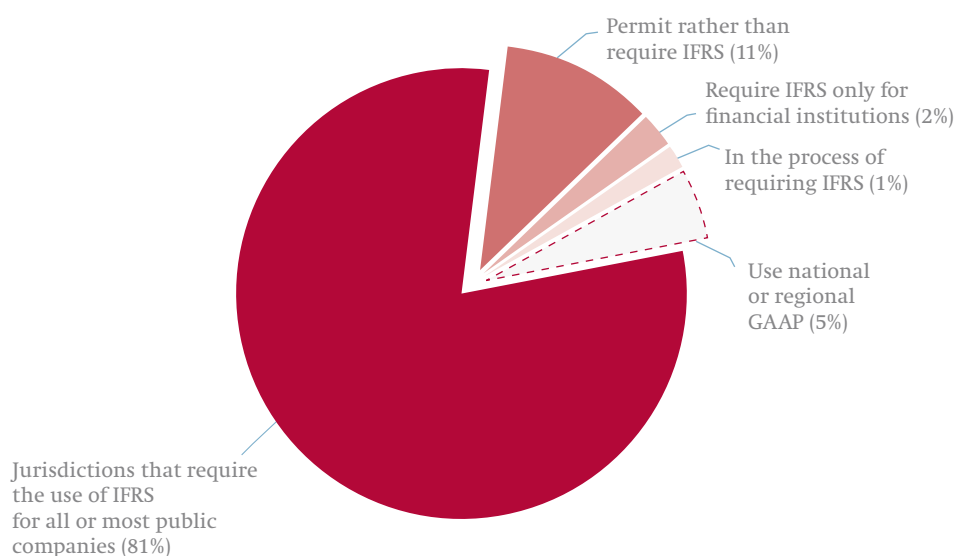
# CHARTING PROGRESS TOWARDS GLOBAL ACCOUNTING STANDARDS

Profiles now complete for **130** jurisdictions representing **96%** of worldwide Gross Domestic Product.

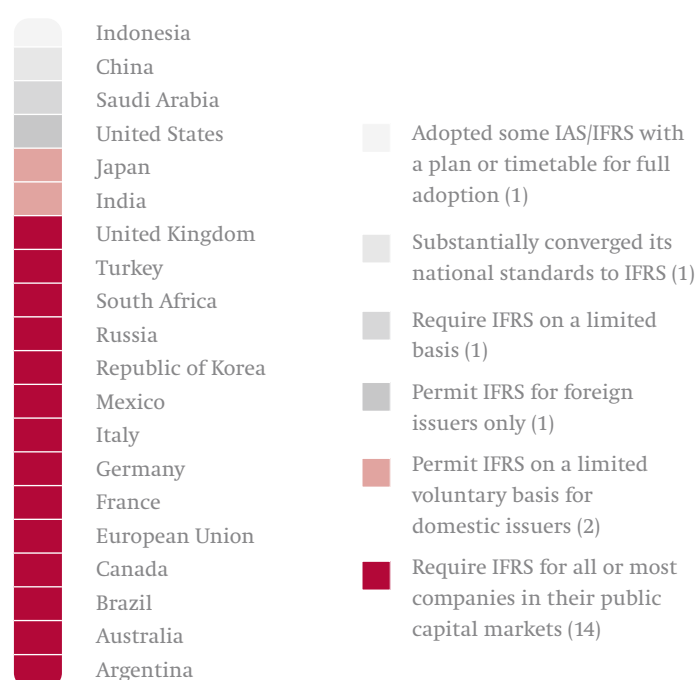
## ALMOST ALL JURISDICTIONS HAVE MADE A PUBLIC COMMITMENT TO IFRS AS GLOBAL STANDARDS



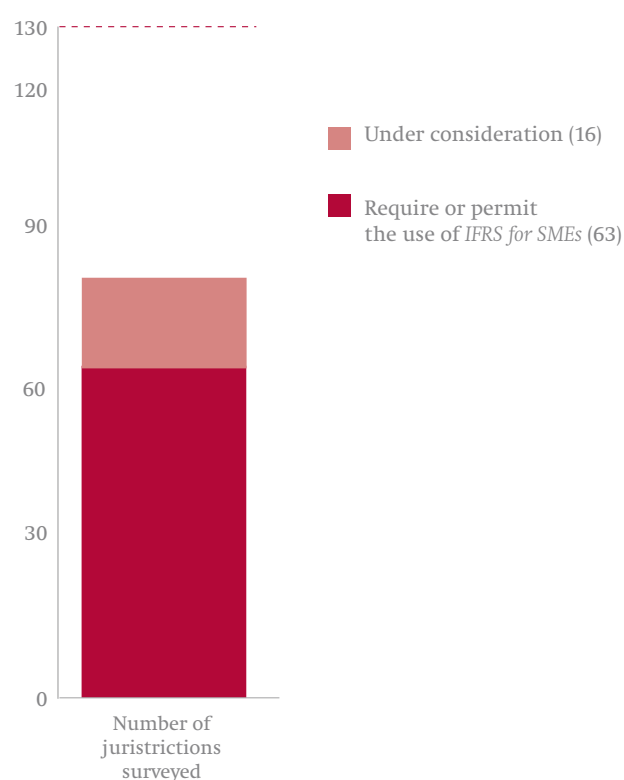
## MOST JURISDICTIONS ALREADY REQUIRE THE USE OF IFRS FOR DOMESTIC REPORTING PURPOSES



## MORE THAN TWO-THIRDS OF G20 MEMBERS ALREADY REQUIRE THE USE OF IFRS FOR DOMESTIC REPORTING PURPOSES



## JURISDICTIONS REQUIRING OR PERMITTING THE IFRS FOR SMEs



## Modifications are rare

The 130 jurisdictions surveyed made very few modifications to IFRS, and the few that were made are generally regarded as temporary steps in the jurisdiction's transition to IFRS, in most cases pending completion of a current IASB agenda project.

# REPORT OF THE DUE PROCESS OVERSIGHT COMMITTEE

The Trustees' Due Process Oversight Committee (DPOC) is responsible for overseeing the due process, reviewing the IASB's compliance with due process and ensuring the Trustees' fulfilment of their oversight function in accordance with the IFRS Foundation Constitution.

## Report on progress against priorities for 2013

### 1. Finalise revisions to the *Due Process Handbook*

At their January 2013 meeting, the Trustees approved a revised version of the *Due Process Handbook*. It now fully incorporates the necessary due process enhancements recommended by the 2012 Trustees' Strategy Review and the Monitoring Board's Governance Review, as well as recommendations from the Trustees' *Review of the Efficiency and Effectiveness of the IFRS Interpretations Committee*, published in May 2012.

The revised *Due Process Handbook*:

- consolidates the due process requirements of the IASB and the IFRS Interpretations Committee into a single document;
- outlines the responsibilities and activities of the DPOC, together with the process for handling perceived breaches of due process;
- includes a more extensive discussion of the process of assessing the likely effects of a Standard;
- describes the research programme, which has become the development base from which potential Standards-level projects will be identified;

- outlines the practice that the IASB and the IFRS Interpretations Committee follow for addressing matters that are narrow in scope;
- describes how the IASB expects to conduct and complete Post Implementation Reviews (PIR); and
- includes consideration of due process requirements related to the programme of outreach activities that is conducted by the IASB as part of its standard-setting activities.

### 2. Work in close co-operation with the IASB to ensure that technical projects benefit fully from 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.

Throughout 2013, the DPOC received regular reports on the due process status of each major project and focused its attention on gaining assurance that the projects on the IASB's work plan are following the proper due process steps as outlined in the *Due Process Handbook*. The DPOC has reviewed all the major projects on the work plan, notably Financial Instruments, Leases, Revenue Recognition, Insurance Contracts, the *Conceptual Framework* and Rate-regulated Activities. In all cases, the DPOC has been

satisfied that all the due process requirements have been met but will continue to review these projects.

During 2013 the DPOC carried out its first two complete life cycle reviews of projects as they neared completion: the first being on the phase of IFRS 9 *Financial Instruments* dealing with hedge accounting; the second on Revenue Recognition. In both cases, the DPOC confirmed that it was satisfied that the IASB had completed all the due process steps necessary to move to balloting on the final Standard.

The DPOC also reviewed the IASB's PIR of IFRS 8 *Operating Segments*. Because this was the first PIR undertaken since the requirement was introduced, the DPOC paid close attention to the process followed and the outcome. Following its review, the DPOC was satisfied that the process used for the PIR of IFRS 8 had worked well and represented a good start to the PIR process and so provided a useful template for future PIRs.

### 3. Conduct an annual assessment of the effectiveness of consultative groups and enhance the DPOC's engagement with those bodies by a member observing at least part of a meeting of each of the groups once a year and reporting back to the DPOC to validate the breadth of attendance and an assessment of the quality of dialogue.

The *Due Process Handbook* requires that all consultative groups are reviewed each year to assess whether each group is continuing to serve the function for which it was established and whether, if that is the case, the membership should remain the same. The DPOC considered the latest annual review at its meeting in July 2013. The DPOC was informed that all existing groups were reported to be operating effectively and several new groups were in the formation stage. The DPOC enquired about the effectiveness of several project working groups that did not hold formal meetings in the past year, but that the IASB wished to keep in place. The DPOC was satisfied with the explanation that most project work groups have the bulk of their meetings at the beginning of a project's life as the initial Exposure Draft is being contemplated. As a project advances towards its final stages, the role of the working group evolves to that of a group of experts that the IASB can call on to obtain advice on specific elements of the proposed Standard. The DPOC has asked the IASB to come back promptly with proposals to disband any groups that have outlived their original purpose.

To date, some six working groups have been observed, with positive reports made on all of them.

#### 4. Other activities

During 2013 the DPOC also focused on a number of other IASB activities, notably:

- the IASB's restructuring of the staffing and consultative activities related to electronic reporting, with a particular focus on the digital taxonomy for IFRS and XBRL. The DPOC agreed to a request from the IASB to apply a modified due process for the preparation of the *2013 IFRS Taxonomy*, with the interim releases of proposed changes being the main focus for public consultation, rather than the year-end compilation as in the past;
- the IASB's policy in relation to the preparation and issue of educational material; and
- the IASB's general handling and reporting of feedback from outreach activities.

#### Priorities for 2014

The DPOC will continue to work in close co-operation with the IASB to ensure that projects due for completion in 2014 have been developed in accordance with the IASB's due process requirements. The DPOC will conduct a complete review of the due process followed for each major new Standard. The DPOC will also monitor the process to be followed for the IASB's PIR of IFRS 3 *Business Combinations*.

The DPOC will consider the IASB's proposals for a general revision to the IFRS Taxonomy due process and monitor the effectiveness of the new consultative arrangements, with the formation of the IFRS Taxonomy Consultative Group.

The DPOC will consider the work of the Effects Analysis Consultative Group, which is preparing a report setting out recommendations to the IASB as to how it should undertake effects analysis and fieldwork.

The DPOC will continue to monitor the work of the IFRS Foundation's Education Initiative, identifying the material that is being produced and the level of review that is undertaken. The development of educational material is important, but is a risk area for the IASB, because support material prepared after a Standard is issued can be seen as interpretative and therefore changing IFRS requirements. The DPOC is keen to ensure that the IASB continues to take a cautious approach and avoid publishing material that can be confused with an issued Standard or can be perceived as being mandatory or interpretative in nature.

The DPOC will continue to review the IASB's reporting of the feedback from outreach and fieldwork activities, in line with the principle that any feedback should be reported as transparently as possible while respecting requests for confidentiality.



# TRUSTEES OF THE IFRS FOUNDATION



- 1 Michel Prada, Chairman of the Trustees (Europe) <sup>c</sup>**  
Former Chairman of the Autorité des Marchés Financiers (AMF), former Chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO) (France)  
*First term expires: December 2014*
- 2 Tsuguoki (Aki) Fujinuma, Vice-Chair (Asia-Oceania) <sup>c</sup>**  
Immediate Past Chairman and President, Japanese Institute of Certified Public Accountants (Japan)  
*Second term expires: December 2014\**
- 3 Robert Glauber, Vice-Chair (North America) <sup>c</sup>**  
Retired Chairman and CEO, NASD (the private sector regulator of the US securities market); former Under Secretary of the Treasury for Finance (United States)  
*Second term expires: December 2014*



## Africa

- 4 Wiseman Nkuhlu**  
Former Economic Adviser to former South African President Thabo Mbeki; former President of the South African Institute of Chartered Accountants; former Chairman of the South African Council of Higher Education (South Africa)  
*First term expires: December 2015*

## Asia-Oceania

- 5 Ronald Arculli**  
Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited; Former Chairman of the World Federation of Exchanges (Hong Kong)  
*First term expires: December 2014*
- 6 Chandrashekhar Bhaskar Bhawe (C. B. Bhawe)**  
Former Chairman of the Securities and Exchange Board of India (SEBI) (India)  
*First term expires: December 2014*
- 7 Duck-Koo Chung**  
Former Minister of Commerce, Industry and Energy for the Republic of Korea (Republic of Korea)  
*Second term expires: December 2016*
- 8 Dr Abdulrahman Al-Humaid**  
Chairman of the Committee for Adopting International Accounting Standards of the Saudi Organization of Certified Public Accountants (SOCPA); former Chairman of the Saudi Accounting Standards Committee (Saudi Arabia)  
*First term expires: December 2015*
- 9 Joji Okada**  
Chief Financial Officer, Senior Executive Managing Officer and Representative Director of Mitsui & Company Limited (Japan)  
*First term expires: December 2015*
- 10 Lynn Wood**  
Chairman of the Australian Financial Reporting Council; member of the New Zealand External Reporting Board; former member of the Australian Foreign Investment Review Board (Australia)  
*First term expires: December 2016*

\* second term extended by a maximum of 12 months. Term expires Sept/Dec 2014

<sup>c</sup> Denotes Chairman of a Trustee Committee.





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## Europe

- 11 Clemens Börsig** <sup>c</sup>  
Former Chairman of the Supervisory Board, former Member of the Management Board of Deutsche Bank AG (Germany)  
Second term expires: December 2014
- 12 Sir Callum McCarthy**  
Former Chairman of the Financial Services Authority (FSA); Non-executive director of Industrial and Commercial Bank of China and IntercontinentalExchange (UK)  
First term expires: December 2014
- 13 Marco Onado** <sup>c</sup>  
Senior Professor of Financial Institutions, Bocconi University, Milan; Chairman, Pioneer Global Asset Management (Italy)  
First term expires: December 2014
- Dick Sluimers**  
Chief Executive Officer, APG Group; former Chair and Chief Executive Officer, ABP; former Director General of the National Budget, Dutch Finance Ministry (Netherlands)  
Second term expires: December 2016
- Antonio Zoido**  
Chairman of the Board and Chief Executive Officer, Bolsas y Mercados Españoles (BME) (Spain)  
Second term expires: December 2016

## North America

- 16 Scott Evans** <sup>c</sup>  
Former Executive Vice President, Asset Management and Chief Executive Officer, TIAA – CREF Investment Management LLC (United States)  
Second term expires: December 2014
- 17 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
- 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 Heidi Miller**  
Former President of International Operations and Strategy, JPMorgan Chase & Company; former Chief Executive Officer of the Treasury and Securities Services Unit, JPMorgan (United States)  
First term expires: December 2015
- 20 James (Jim) Quigley**  
CEO Emeritus, former Senior Partner, Deloitte U.S.; former CEO of Deloitte, Touche & Tohmatsu Limited (DTTL) (the global network) (United States)  
First term expires: December 2014

## South America

- 21 Maria Helena Santana**  
Former Chair and President, Comissão de Valores Mobiliários (CVM); former Executive Officer, Brazilian stock exchange (BOVESPA); former Chair of IOSCO's Executive Committee and member of the International Integrated Reporting Council (Brazil)  
First term expires: December 2016



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## Members retired at the end of 2013

- 22 Jeffrey Lucy**  
Former Chairman, Financial Reporting Council;  
former Chairman, Australian Securities and Investments  
Commission (Australia)
- 23 Pedro Malan**  
Chairman, Unibanco; former Finance Minister of Brazil;  
former President, Central Bank of Brazil (Brazil)
- 24 Noriaki Shimazaki (retired June 2013)**  
Special Advisor, former CFO and Member of the Board,  
Sumitomo Corporation (Japan)
- 25 Yong Li**  
President, Chinese Institute of Certified Public  
Accountants; Vice-Minister to the Ministry of Finance  
(People's Republic of China)

## c Trustee Committees

Committee	Chairman
Audit and Finance Committee	<b>Clemens Börsig</b>
Due Process Oversight Committee	<b>Scott Evans</b>
Education and Content Services Committee	<b>Marco Onado</b>
Executive Committee	<b>Michel Prada</b>
Human Capital Committee	<b>Tsuguoki (Aki) Fujinuma</b>
Nominating Committee	<b>Robert Glauber</b>

## 2. STANDARD-SETTING ACTIVITIES

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# REPORT OF THE CHAIRMAN OF THE IASB

The year 2013 has been very much a year of transition. A broadening of focus from the major convergence projects to include our new work programme. A transition from bilateral standard-setting to more inclusive, multilateral engagement with the worldwide accounting standard-setting community and also a transition to a new approach to the development of our Standards that will be driven much more by research and evidence. While navigating these transitional challenges, the IASB has also introduced further enhancements to the quality of IFRS.



HANS HOOGERVORST  
CHAIRMAN  
IASB

Taken together, these achievements demonstrate continued progress in our work to further establish IFRS as the global language of financial reporting.

## Completing the convergence projects

It is important to remind ourselves of how the convergence programme with the FASB has improved the quality of financial reporting around the world. When the IASB and the FASB first set out on this journey back in 2002, the IASB was beginning the process of updating the core International Accounting Standards (IASs) inherited from its predecessor body in time for the

planned 2005 adoption of those Standards by more than 30 countries, including those of the European Union. Around the same time, the accounting scandals of Enron and Worldcom led Paul Volcker to tell the United States Congress that US accounting was in 'crisis'. Both the IASB and the FASB were faced with the daunting task of delivering substantial improvements to their relative sets of standards and it made perfect sense to undertake this work together.

Some 12 years on, we are approaching the conclusion of what became known as the 'Norwalk' convergence agreement, and the quality of both IFRS and US GAAP have been improved. In particular, IFRS has gone on to become the de facto global standard for financial reporting. Its quality has been validated by almost a decade of use by both advanced and developing economies as

# 2,428

Number of comment letters  
received during 2013

well as by the SEC's 2007 decision to allow international companies listed on US markets to report using IFRS as issued by the IASB. I strongly believe that these achievements would not have been possible without the significant contribution not only of technical expertise but also, in no small measure, of goodwill from the FASB, and for that we are immensely grateful.

Today, we are approaching the end of that programme of convergence. Each of the remaining major projects undertaken

**IFRS has gone on to become the de facto global standard for financial reporting. Its quality has been validated by almost a decade of use by both advanced and developing economies.**

with the FASB represents a step change in the quality of financial information provided to investors, while each Standard will also need to stand the test of time. For those reasons, we should not be surprised that fine-tuning these Standards has taken longer than many anticipated.

One of the most eagerly awaited outcomes of the convergence programme has been our work to reform the accounting for financial instruments. During 2013 we made further progress in the completion of this project with the finalisation of our model for loan loss provisioning as well as the publication of an entirely new and well-supported model for hedge accounting. It is unfortunate that despite many years of intense efforts, the IASB and the FASB have not been able to achieve a common approach to loan-loss provisioning. However, feedback from various interested parties, including the Financial Stability Board, has encouraged us to push ahead with our existing model and we expect to publish this final chapter of IFRS 9 around the middle of 2014—thus concluding the IASB’s comprehensive response to the financial crisis.

**During 2013 we have already made substantial inroads into the projects on the IASB’s new work programme.**

I am pleased to report that we are much more closely aligned with the FASB on revenue recognition. I have previously described revenue recognition as the ‘jewel in the crown’ of the convergence programme. That is because we are on track to deliver a high quality, fully converged Standard that is, unlike IFRS 9, relevant to almost every company in the world.

During 2013 we also published with the FASB an Exposure Draft of revised proposals for a new, converged standard for lease accounting. Those proposals maintain our core objective of bringing the majority of lease obligations onto the balance sheet while also helping to ease the transitional burden faced by companies when applying the new requirements. During 2014 we intend to make further simplifications to the requirements and expect to publish a final Standard during the first half of 2015.

The final project from the convergence era is our work to introduce a new accounting Standard for insurance contracts. The accounting for insurance contracts is the reverse of many other forms of accounting, because cash is received in advance of the service being delivered. The old IASs inherited by the IASB provided no answer to the challenges of the insurance sector. That is why when the IASB began its work it introduced IFRS 4 *Insurance Contracts* as a stopgap measure while it completed a more fundamental reform of insurance accounting. We expect to finalise this project in 2015 and we are working in close co-operation with the insurance sector to bring much-needed transparency to the plethora of accounting practices used throughout the industry.



## New work programme

In parallel with the completion of these remaining convergence projects, during 2013 we have also made substantial inroads into the projects on the IASB's new work programme. Three aspects of this programme warrant particular mention in this report.

First, following a determined effort by the IASB and staff, we met our objective of publishing, on a timely basis, the Discussion Paper setting out a review of the *Conceptual Framework*. The *Conceptual Framework* sets out the basic underlying concepts for the preparation and presentation of financial statements and forms the basis for specific recognition and measurement requirements in IFRS. It therefore serves as a major point of reference in the development of new Standards.

Second, during 2013 we also made progress in our work on the thorny problem of financial disclosures. There is generally a high level of consensus that this is a serious problem that needs to be tackled, but little consensus on the best way of doing so. Building on the varied and excellent research on this topic that has already been undertaken by various bodies around the world, as well as by our own discussion forum, I set out in June 2013 a 10-point plan to

'break the boilerplate' of financial disclosures. Those points include incremental improvements and clarifications to our own Standards that set out to drive behavioural change among other parties that together contribute to this challenging problem. We have already made significant progress in 2013 and that work will continue into 2014.

Third, we have introduced a new research phase to our work programme for these and other projects that form part of our new agenda. Up until now, the IASB has selected projects to take onto its active agenda and would then

undertake research related to that project, including seeking feedback through the publication of a Discussion Paper. However, this approach led to some projects stalling once further research had been undertaken and complicated the task of working with other standard-setting bodies in conducting such research. To overcome these challenges, we have introduced a new research phase to our agenda that will include the publication of Discussion Papers prior to a decision on whether or not to bring that project onto the IASB's active agenda. This model better accommodates our more multilateral approach by permitting



IASB MEMBERS MARY TOKAR, AMARO GOMES, STEPHEN COOPER AND GARY KABURECK

other accounting standard-setting bodies to participate more closely in the important research phase prior to the agenda decision.

Consistent with these changes, at the end of 2013 we realigned our technical resources to better reflect our technical priorities. Hugh Shields has now joined us as Executive Technical Director, overseeing the entire technical staff. As the Senior Technical Director, Alan Teixeira now leads the research programme as well as various other aspects of our operations that were previously separated from the technical development of the Standards, such as staff support to the Interpretations Committee and the important work on XBRL and digital reporting. We have also promoted Kumar Dasgupta to lead the Financial Instruments project following the appointment of Suzanne Lloyd as an IASB member, and Henry Rees to lead all other

projects. Completing the picture is Peter Clark, who will continue with his leadership of the *Conceptual Framework* project.

In closing, I would like to thank our entire staff as well as the many people around the world who graciously invest so much of their time in the development of IFRS as global accounting standards.



Hans Hoogervorst  
Chairman  
IASB

# TECHNICAL ACTIVITIES AND DEVELOPMENT OF IFRS

## Current technical activities—Standards

Project	Status
Revenue Recognition	<p>The project objective is to clarify the principles for recognising revenue from contracts with customers.</p> <p>This project is jointly conducted with the FASB. In 2013 the IASB and the FASB completed their deliberations of the feedback received on their proposals and the final Standard will be issued in the first half of 2014. The Standard will be effective for annual periods beginning on or after 1 January 2017.</p> <p>In 2013 the IASB and the FASB announced plans to create a joint transition resource group. The transition group will be responsible for informing the boards about application issues that could arise when entities implement the Standard. In addition to providing a forum to discuss the application of the requirements, the transition group will provide information that will help the boards to determine what, if any, action will be needed to resolve that diversity. The group itself will not issue guidance.</p>
IFRS 9 Classification and Measurement	<p>The objective of these limited amendments is to clarify the existing classification and measurement requirements for financial assets, consider the interaction with the accounting for insurance contracts and increase comparability internationally in the accounting for financial instruments.</p> <p>In November 2012 the IASB published an Exposure Draft (ED) <i>Classification and Measurement: Limited Amendments to IFRS 9</i> (Proposed amendments to IFRS 9 (2010)). In February 2013 the FASB published an ED on classification and measurement of financial instruments. The EDs were not identical, because of the different stages of the boards' respective projects. As a result of differing feedback from constituents, the FASB and the IASB will not issue converged standards.</p> <p>The IASB aims to issue the revised IFRS 9 (complete with the impairment model) in mid 2014. The revised IFRS 9 will be effective for annual periods beginning on or after 1 January 2018.</p>
IFRS 9 Impairment of Financial Assets	<p>The objective of this part of the IFRS 9 project is to provide users of financial statements with more useful information about an entity's expected credit losses on its financial assets and commitments to extend credit.</p> <p>In March 2013 the IASB published an ED of revised proposals for the impairment of financial assets. The proposals in the ED built upon previous work to develop a more forward-looking impairment model that recognises expected credit losses on a more timely basis. Although the IASB had previously published joint proposals with the FASB, in 2012 the FASB decided to develop a different approach.</p> <p>The IASB aims to issue the revised IFRS 9 (complete with the amendments for classification and measurement) in mid 2014. The revised IFRS 9 will be effective for annual periods beginning on or after 1 January 2018.</p>
Accounting for Dynamic Risk Management (Macro Hedging)	<p>The project objective is to simplify and improve the usefulness of financial statements by developing accounting requirements for dynamic risk management within the context of open portfolios that are aligned with a company's risk management activities.</p> <p>The IASB has developed a possible model, for which it is seeking feedback through a Discussion Paper (DP). The DP was published in April 2014.</p> <p>In 2014 the IASB will commence redeliberations of its preliminary views set out in the DP.</p>



## Current technical activities—Standards *continued*

Project	Status
Leases	<p>The project objective is to improve the quality and comparability of financial reporting by providing greater transparency about an entity's leverage, the assets it uses in its operation and the risks to which it is exposed from entering into lease transactions.</p> <p>This project is being jointly conducted with the FASB. In 2013 the IASB and the FASB published a joint ED of revised proposals that included modifications, simplifications and clarifications based on the feedback received to the 2010 ED.</p> <p>In 2014 the boards will redeliberate their proposals.</p>
Insurance Contracts	<p>The project objective is to improve financial reporting by providing a consistent basis for the accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position, financial performance and cash flows.</p> <p>In 2013 the IASB published a revised ED that sought feedback on five specific areas in which it is proposing substantive changes from its ED published in 2010.</p> <p>In 2014 the IASB will redeliberate its proposals.</p>
Regulatory Deferral Accounts (Rate-regulated Activities)	<p>The objective of IFRS 14 Regulatory Deferral Accounts is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. It is intended to be an interim IFRS until the IASB's comprehensive Rate-regulated Activities research project is completed.</p> <p>The IASB published an ED in April 2013 and completed its redeliberations of its proposals in the ED during 2013.</p> <p>The final Standard was issued in January 2014.</p>
IFRS for SMEs Comprehensive Review	<p>The IASB is conducting a review of the IFRS for SMEs.</p> <p>In October 2013 the IASB published an ED of proposed amendments to the IFRS for SMEs, based on its initial comprehensive review of the IFRS for SMEs.</p> <p>In 2014 the IASB will redeliberate its proposals.</p>

## Conceptual Framework

Project	Status
Conceptual Framework	<p>The objective of the Conceptual Framework project is to improve financial reporting by providing the IASB with a complete and updated set of concepts to use when it develops or revises Standards.</p> <p>The Conceptual Framework sets out the concepts that underlie the preparation and presentation of financial statements. It is a practical tool that assists the IASB when developing and revising Standards. The IASB restarted work on the Conceptual Framework project after many respondents to the 2011 Agenda Consultation identified it as a priority project.</p> <p>In July 2013 the IASB published a DP as a first step towards revising the existing Conceptual Framework. The DP is designed to obtain initial views and comments from parties with an interest in financial reporting.</p> <p>In 2014 the IASB will redeliberate its preliminary views set out in the DP with the aim of developing an ED—a draft Conceptual Framework—for public comment.</p>

## Implementation and maintenance of Standards

Project	Status
Bearer Biological Plants (Proposed amendments to IAS 41)	<p><i>The project objective is to respond to concerns about the application of the fair value model in IAS 41 Agriculture for bearer biological assets.</i></p> <p>In June 2013 the IASB published an ED of proposed amendments to IAS 41. The IASB proposed to include bearer plants within the scope of IAS 16 <i>Property, Plant and Equipment</i>. Bearer plants are a class of biological assets that, once mature, are held by an entity solely to grow produce over their productive life. Examples include grape vines, rubber trees and oil palms.</p> <p><b>The IASB expects to finalise the proposals in the first half of 2014.</b></p>
Acquisition of an Interest in a Joint Operation (Amendments to IFRS 11)	<p><i>The project objective is to provide guidance to IFRS 11 Joint Arrangements on the accounting for the acquisition of an interest in a joint operation that constitutes a business.</i></p> <p>In December 2012 the IASB published an ED that proposed an entity that acquires an interest in a joint operation in which the activity constitutes a business should apply the relevant principles of business combination accounting and related disclosure requirements in IFRS 3 <i>Business Combinations</i> and other Standards.</p> <p><b>The IASB has completed its redeliberations on its proposals in the ED and issued the amendments in May 2014.</b></p>
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 & IAS 38)	<p><i>The project objective is to clarify that a depreciation/amortisation method that reflects a pattern of generation of economic benefits from the asset rather than a pattern of consumption of the asset's economic benefits is not an acceptable method of depreciation/amortisation.</i></p> <p>In December 2012 the IASB published an ED that sought to clarify that a method of depreciation/amortisation that is based on the revenue expected to be generated from the use of an asset in an entity's business is not an appropriate method.</p> <p><b>The IASB has completed its redeliberations on its proposals in the ED and issued the amendments in May 2014.</b></p>
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	<p><i>The objective of the project is to address the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.</i></p> <p>In December 2012 the IASB published an ED proposing when a gain should be recognised in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture.</p> <p><b>The IASB has completed its redeliberations on its proposals in the ED and expects to issue the final amendment in the first half of 2014.</b></p>
Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)	<p><i>The objective of the project is to provide guidance on how an investor should recognise its share of the changes in the net assets of an investee that are not recognised in profit or loss or other comprehensive income of the investee, or that are not distributions received ('other net asset changes').</i></p> <p>In December 2012 the IASB decided to proceed with the proposals in the 2012 ED, acknowledging that this is a short-term solution that will address diversity in practice until the IASB undertakes a project on the equity method of accounting.</p> <p><b>The IASB expects to finalise its proposals in 2014.</b></p>

## Implementation and maintenance of Standards *continued*

Project	Status
Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)	<p><i>The objective of this project is to consider restoring the option to use the equity method of accounting in separate financial statements.</i></p> <p>In December 2013 the IASB published an ED proposing to permit an entity to account for investments in subsidiaries, associates and joint ventures using the equity method in its separate financial statements.</p> <p><b>The IASB expects to finalise its proposals in 2014.</b></p>
Elimination of Gains Arising from 'Downstream' Transactions	<p><i>The objective of this project is to clarify the accounting for a 'downstream' transaction between an entity and its associate or joint venture when the gain from the transaction exceeds the carrying amount of the entity's interest in the associate or joint venture.</i></p> <p><b>The IASB expects to publish an ED in 2014.</b></p>
Fair Value Measurement: Unit of Account	<p><i>The objective of this project is to clarify the unit of account for financial assets that are investments in subsidiaries, joint ventures and associates measured at fair value.</i></p> <p><b>The IASB expects to publish an ED on amendments to IFRS 13 Fair Value Measurement in 2014.</b></p>
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)	<p><i>The objective of this project is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.</i></p> <p><b>The IASB expects to publish an ED in 2014.</b></p>
Put options Written on Non-controlling Interests	<p><i>The objective of this project is to address the diversity in practice that exists on the accounting for put options written on non-controlling interests in the parent's consolidated financial statements (NCI puts).</i></p> <p>In May 2012 the IFRS Interpretations Committee published a draft Interpretation. In the light of the Interpretations Committee's views and the feedback received, the IASB decided not to proceed with the Interpretation.</p> <p><b>In 2014 the IASB will consider alternative proposals to address this issue.</b></p>
2012–2014 and 2013–2015 Annual Improvements Cycles	<p>In December 2013 the IASB published an ED of five proposed amendments to four Standards as part of its 2012–2014 Annual Improvements Cycle.</p> <p><b>The deliberation of the amendments that may be included in the 2013–2015 Cycle is ongoing.</b></p>

## Research activities

Project	Status
Rate-regulated Activities	<p><i>The objective of this research project is to develop a DP to consider whether rate regulation gives rise to assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for and whether, or how, IFRS should consequently be amended.</i></p> <p>Rate regulation is widespread and significantly affects the economic environment of rate-regulated entities. Some national GAAPs provide specific guidance on this matter, but there is no equivalent guidance in IFRS. Deciding whether and, if so, how IFRS should be amended to recognise rate regulation is therefore important.</p> <p><b>The IASB plans to publish a DP in 2014.</b></p>
Business Combinations Under Common Control	<p><i>The objective of this research project is to understand the common forms of business combinations under common control and to identify issues arising from the accounting for such transactions.</i></p> <p>Business combinations under common control are excluded from the scope of IFRS 3. The absence of specific requirements has led to diversity in practice. Some of the common types of transactions include group restructurings and reorganisations, spin-off of businesses in anticipation of initial public offerings.</p> <p><b>The IASB plans to discuss this project in public in 2014.</b></p>
Discount Rates	<p><i>This research project will examine discount rate requirements in IFRS, explaining why those differences exist and assessing whether there are any inconsistencies that the IASB should address.</i></p> <p>Many Standards specify, or refer to, the discount rate that must be used to discount estimates of future cash flows. Different Standards specify different discount rates, depending on the objective of the particular Standard. Views received during the Agenda Consultation suggest that the reasons for using different discount rates are not well understood, with some respondents suggesting that such differences cause IFRS requirements to be inconsistent.</p> <p><b>The IASB plans to discuss this project in public in 2014.</b></p>

## Other

Project	Status
Disclosure Initiative (including XBRL)	<p><i>This is a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved. The work is informed by a Discussion Forum on Disclosure in Financial Reporting that was held in January 2013.</i></p> <p>The Disclosure Initiative is divided into short-term and medium-term projects. In the short-term the IASB will publish an ED of narrow-scope amendments to IAS 1 <i>Presentation of Financial Statements</i> to address some of the concerns the IASB has heard and that were highlighted in the Feedback Statement <i>Financial Reporting Disclosure Forum</i>. It is also expected that in the short term the IASB will consider how materiality is applied in practice and consider whether further guidance is needed.</p> <p>In the medium term the IASB will undertake a research project to explore whether IAS 1, IAS 7 <i>Statement of Cash Flows</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> should be replaced.</p> <p>In October 2013 the IASB announced that it was bringing together members of its standard-setting team with the XBRL team. The creation of a combined team of standard-setting and electronic reporting experts reflects the increasing importance of electronic filing of financial information.</p>
PIR of IFRS 3 <i>Business Combinations</i>	<p><i>The purpose of a PIR is to consider whether the new Standard is functioning as anticipated and whether it has achieved its objective and improved financial reporting.</i></p> <p>In July 2013 the IASB launched its PIR of IFRS 3. The review will include both IFRS 3 (2004) and IFRS 3 (2008) as well as all the amendments made to other Standards (for example, IAS 36 <i>Impairment of Assets</i> and IAS 38 <i>Intangible Assets</i>) as a result of the Business Combinations project.</p> <p>On 30 January 2014 the IASB published a Request for Information (RFI). The RFI seeks feedback on whether the Standard provides information that is useful to users of financial statements, whether there are areas of the Standard that represent implementation challenges and whether unexpected costs have arisen when preparing, auditing or enforcing the requirements of the Standard.</p>
Education Initiative	<p><i>The objective of the Education Initiative is to reinforce the IFRS Foundation's goal of promoting the adoption and consistent application of a single set of high quality international accounting standards.</i></p> <p>In fulfilling its objective, the Education Initiative takes account of the special needs of small and medium-sized entities and emerging economies.</p> <p>Activities in 2013 included:</p> <ul style="list-style-type: none"> <li>(a) publishing the first collection of comprehensive teaching material, which is designed to support those who are teaching professional accountants to make the judgements and estimates that are necessary to apply IFRS with rigour and consistency;</li> <li>(b) launching jointly with the World Bank and other development agencies regional workshops for IFRS regulators—although the target participation was for securities regulators from emerging markets, prudential regulators also participated in the workshops; and</li> <li>(c) launching an investor-focused education project, including events co-ordinated around major IFRS Foundation conferences.</li> </ul>

## STANDARDS AND AMENDMENTS TO STANDARDS ISSUED IN 2013

Standards and amendments to Standards	Month	Description	Effective date
Annual Improvements Cycles: 2010–2012 and 2011–2013	December	In 2013 the IASB completed its Annual Improvements Cycles for 2010–2012 and 2011–2013.	1 July 2014
IFRS 9 <i>Financial Instruments</i> (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)	November	<p>The IASB made an important step towards the completion of IFRS 9 by issuing a package of amendments including a new hedge accounting model and changes to address ‘own credit risk’.</p> <p>The new hedge accounting model is a substantial overhaul of hedge accounting. It will enable entities to better reflect risk management activities in their financial statements and improve the ability of investors to understand the risk management activities by assessing the amounts, timing and uncertainty of future cash flows. An entity uses hedging to manage risks, for example, foreign exchange risk, interest rate risk or the price of a commodity. It may choose to apply hedge accounting to show the effect of managing those risks in the financial statements.</p> <p>The own credit risk changes enable entities to change the accounting for liabilities that they have elected to measure at fair value, before applying any of the other requirements in IFRS 9. This change in accounting means that gains caused by a worsening in an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.</p>	Available for application

Standards and amendments to Standards	Month	Description	Effective date
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	November	The narrow-scope amendments simplify the accounting for contributions that are independent of the number of years of employee service; for example, employee contributions that are calculated according to a fixed percentage of salary. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans.	1 July 2014
PIR of IFRS 8 <i>Operating Segments</i>	July	The PIR of IFRS 8 concluded that the Standard was generally functioning as anticipated. The limited areas in which further investigation is warranted will also be discussed with the FASB and will be considered within the context of the convergence with US GAAP achieved by IFRS 8.	Not applicable
Novation of Derivatives and Continuations of Hedge Accounting (Amendments to IAS 39)	June	The amendments allow hedge accounting to continue in a situation in which a derivative that has been designated as a hedging instrument is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. In this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one.	1 January 2014
IFRC 21 <i>Levies</i>	May	IFRIC 21 is an interpretation of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> . The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	May	The amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014

## IFRS ADVISORY BODIES

Advisory bodies provide an important channel 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 following table provides an overview of the IASB's advisory bodies and their form of engagement with the IASB.

Group	Description	Composition	IASB-chaired?	Form of representation: - delegates - individuals - both
Accounting Standards Advisory Forum (ASAF)	The ASAF is a multilateral advisory forum in which members contribute towards the achievement of the IASB's goal of developing globally accepted high quality accounting standards.	International	Yes	Delegates
Capital Markets Advisory Committee (CMAC)	The CMAC is an independent body created with the specific aim of providing the IASB with regular input from investors and other users of financial statements.	International; users	No	Individuals
Emerging Economies Group (EEG)	The EEG was created with the aim of enhancing the participation of emerging economies in the development of IFRS.	Emerging economies	Yes	Both
Global Preparers Forum (GPF)	The GPF is an independent body of international or national preparer organisations that provide the IASB with input.	International; preparers	No	Individuals
SME Implementation Group	The mission of the SME Implementation Group is to support the international adoption of the <i>IFRS for SMEs</i> and monitor its implementation.	International; area experts	Yes	Individuals
Consultative groups	Consultative groups give the IASB access to additional practical experience and expertise. The IASB normally establishes consultative groups for its major projects.	Technical; sector experts	Yes	Individuals



# REPORT OF THE IFRS INTERPRETATIONS COMMITTEE 2013

The IFRS Interpretations Committee is the interpretative body of the IFRS Foundation. Its mandate is to review widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRS). The work of the Interpretations Committee is aimed at reaching consensus on the appropriate accounting treatment and providing authoritative guidance on those issues.

The Interpretations Committee saw an increase in its level of activity in 2013, dealing with 32 new issues, representing a 52 per cent increase compared with 2012. The majority of these new issues were dealt with through the Annual Improvements programme and via agenda decisions. Agenda decisions provide the Interpretations Committee with an opportunity to give informal guidance when it concludes that there is sufficient guidance in the Standards; 38 per cent of the new submissions in 2013 were answered in this way. This provides an efficient way of helping stakeholders, without requiring changes to IFRS.

The Interpretations Committee addressed a further 22 per cent of the submissions it received in 2013 through proposals for narrow-scope amendments. This included two urgent issues; one related to the application of hedge accounting in circumstances in which the derivative used to create the hedge is novated to a central

counterparty; and the other related to a clarification of accounting for employee contributions to pension plans. The novation of the derivatives amendment was made in response to regulatory changes and was available for companies to use in their 2013 mid-year interim reports. The pensions amendment provided some practical relief and clarification for companies applying new pensions requirements in 2013.

The other narrow-scope amendments that the Interpretations Committee developed included an amendment to IFRS 11 *Joint Arrangements*. This amendment added new guidelines on how to account for the acquisition of an interest in a joint operation that constitutes a business. This amendment was finalised by the IASB in 2014.

The Interpretations Committee also finalised an Interpretation giving guidance on the accounting for levies.

This Interpretation, IFRIC 21 *Levies*, provides guidance on when a company should recognise a liability for a levy charged by a government and was issued in May 2013. IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and contingent Assets*, and has broad applicability.

2013 also saw the finalisation of two cycles of Annual Improvements. The cycles for 2010-2012 and 2011-2013 together provide clarification on 11 issues, affecting 9 Standards. These included revisions to definitions of vesting conditions for share-based payments, thus helping to address a number of related concerns.

Further details of the annual improvements, Interpretations and narrow-scope amendments issued by the Interpretations Committee during 2013 can be found on pages 24–25 of this report.

## MEMBERS OF THE IASB



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2

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



3



4



5

## Africa

3

### **Darrel Scott**

Former Chief Financial Officer, FirstRand Banking Group (South Africa)  
First term expires: 30 June 2015

## Asia-Oceania

4

### **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

5

### **Chungwoo Suh**

Former Chairman, Korea Accounting Standards Board; Professor of Accounting at Kookmin University, Seoul (Republic of Korea)  
First term expires: 30 June 2017



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### **Zhang Wei-Guo**

Former Chief Accountant and Director General, Department of International Affairs; China Securities Regulatory Commission (People's Republic of China)  
Second term expires: 30 June 2017

7

### **Suzanne Lloyd**

Former Senior Director of Technical Activities, IASB; former accounting specialist, Goldman Sachs (New Zealand)  
First term expires: 31 December 2018



## Europe

- 8 Stephen Cooper**  
Former Managing Director, 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 Gary Kabureck**  
Former Chief Accounting Officer and Corporate Vice-President, Xerox Corporation (United States)  
*First term expires: 30 June 2017*
- 14 Patricia McConnell**  
Former Senior Managing Director, Equity Research, Accounting and Tax Policy Analyst, Bear Stearns & Co, (United States)  
*Retiring: 30 June 2014*
- 15 Mary Tokar**  
Former global leader of International Financial Reporting Group, KPMG (United States)  
*First term expires: 30 June 2017*

## South America

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

## IASB members retired during 2013

- 17 Prabhakar Kalavacherla ("PK")**  
Former Audit Partner, KPMG (India)

# SENIOR STAFF OF THE IASB AND THE IFRS FOUNDATION



## Executive Directors

- 1 **Yael Almog**  
Executive Director
- 2 **Hugh Shields**  
Executive Technical Director

## IASB Senior Staff

- 3 **Peter Clark**  
Technical Director
- 4 **Kumar Dasgupta,**  
Technical Director
- 5 **Henry Rees**  
Technical Director
- 6 **Michael Stewart**  
Director of Implementation Activities
- 7 **Alan Teixeira**  
Senior Director of Technical Activities
- 8 **Wayne Upton**  
Chairman of the IFRS Interpretations Committee
- 9 **Mike Wells**  
Director of IFRS Education Initiative

## IFRS Foundation Senior Staff

- 10 **Mark Byatt**  
Director of Communications and External Affairs
- 11 **Miranda Corti**  
Director of Operations
- 12 **David Loweth**  
Director for Trustee Activities

# MEMBERS OF THE IFRS INTERPRETATIONS COMMITTEE

At 31 December 2013

Name and affiliation	Term expires
<b>Tony de Bell</b> Global Accounting Consulting Services Leadership Team PwC United Kingdom	30 June 2016
<b>Luca Cencioni</b> Senior Accounting Manager Eni Adfin S.p.A. Italy	30 June 2014
<b>Reinhard Dotzlaw</b> Global IFRS Panel KPMG Canada	30 June 2016
<b>Feilong Li</b> Executive Director, Executive Vice President & Chief Financial Officer China Oil Services Limited People's Republic of China	30 June 2016
<b>John O'Grady</b> Asia Pacific Assurance Professional Practice Director Ernst & Young Australia	30 June 2015
<b>Jean Paré</b> Vice President, Financial Reporting Bombardier Inc. Canada	30 June 2014
<b>Joanna Perry*</b> Non-Executive Director, Genesis Energy, Kiwi Income Property Trust New Zealand	30 June 2014
<b>Sandra Peters</b> Head of Financial Reporting Policy CFA Institute United States	30 June 2015
<b>Charlotte Pissaridou</b> Head of Accounting Policy for Europe, the Middle East, Africa and Asia Goldman Sachs United Kingdom	30 June 2014

Name and affiliation	Term expires
<b>Laurence Rivat</b> Partner Deloitte & Associates (France) France	30 June 2015
<b>Dr Martin Schloemer</b> Accounting Principles and Policies Bayer AG Germany	30 June 2016
<b>Scott A. Taub</b> Managing Director Financial Reporting Advisors, LLC United States	30 June 2014
<b>Andrew Watchman</b> Executive Director of International Financial Reporting Grant Thornton United Kingdom	30 June 2016
<b>Kazuo Yuasa</b> General Manager, Corporate Finance Unit, Fujitsu Limited Japan	30 June 2015

## Interpretations Committee members retired during 2013

<b>Guido Fladt</b> Partner PwC
<b>Bernd Hacker</b> Professor University of Applied Sciences Rosenheim

<b>Andrew Vials</b> Partner KPMG LLP
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<b>Margaret M Smyth</b> Vice President Finance Con Edison
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## Non-voting Chairman

<b>Wayne Upton</b> Chairman, IFRS Interpretations Committee
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\* Stepped down on 31/3/14 to take up position of IFRS Advisory Council Chair with effect from 01/04/14



# REPORT OF THE IFRS ADVISORY COUNCIL CHAIRMAN

In 2013 the IFRS Advisory Council (the 'Advisory Council') welcomed nine new members and Christoph Hütten joined Charles Macek as a Vice-Chairman. The appointments reflect the Trustees' efforts to broaden the composition of the Advisory Council and ensure it reflects the spread of IFRS.



PAUL CHERRY, CHAIRMAN  
IFRS ADVISORY COUNCIL

The Advisory Council discussed and provided advice on a wide range of topics relating to the IASB's strategic direction, priorities and major standard-setting projects. The agenda committee has been very effective in identifying relevant and timely agenda items. The frequent use of break-outs into small discussion groups, coupled with report-backs by the discussion leaders in plenary sessions has become an important and valuable aspect of the Advisory Council's way of working. Topics discussed included:

- **expected credit losses (impairment).** The Advisory Council stressed the utmost importance of reaching a converged standard with the FASB as a matter of urgency.
- **leases.** The Advisory Council was informed that IASB outreach activities have confirmed strong support among users of financial statements for bringing leases onto the balance sheet although the level of support among users differs in some regions. Reporting entities have, however, expressed significant concerns about the proposals. Views are even more divided on the proposed accounting by lessors. The project has reached a critical stage. As requested by the IASB, in 2014 the Advisory Council will provide its views and advice on whether any fundamental change in the scope or direction of the project is appropriate.
- **'disclosure overload'.** Members were pleased that the IASB had conducted a survey and, as recommended by the Advisory Council, convened a broad-based Disclosure Forum. The main problem seems to be one of 'clutter': too much relatively unimportant information, not enough relevant information and poor communication. Members supported the IASB's two-phase approach with enhanced guidance in IAS 1 in the short term followed by a comprehensive review of the disclosure problem, including a disclosure framework. This topic will probably be revisited by the Advisory Council many times in the coming years.
- **IFRS for SMEs.** The consensus view of the Advisory Council was that the *IFRS for SMEs* should continue to be maintained as a stand-alone Standard, separate from full IFRS. The majority of members advised against expanding the scope to include qualifying publicly accountable entities.
- **implementation and maintenance activities.** Members generally supported the need for more effort in this area, such as the joint transition group for the new converged standards on revenue recognition to be issued by the IASB and the FASB and formal mechanisms to ensure converged standards do not, in practice, become divergent as a result of uncoordinated national and IASB implementation and maintenance activities. Members did, however, caution against moving too quickly until the broader policy issues have been fully considered. A clear distinction between authoritative literature and non-authoritative guidance/educational material is essential, recognising that everything issued by the IASB is likely to be seen as having some degree of authority in the marketplace.

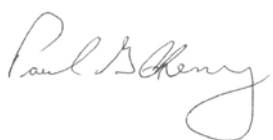
- **XBRL.** The Advisory Council discussed the role of XBRL in financial reporting on several occasions. In 2013, members considered and advised against merging the Advisory Council and the XBRL Advisory Council, proposing instead that enhanced liaison arrangements be put in place between the two bodies.

2013 saw the formation of the ASAF as another important advisory body to the IASB. Members' paramount concern has been addressed, namely that the role of the ASAF has been clearly defined with a focus on technical issues relating to the IASB's active work programme. Managed properly, the ASAF should complement the Advisory Council's focus on strategic direction, priorities and major standard-setting projects.

During the year the Advisory Council completed a performance self-assessment, including input from a number of IASB members and Trustees. It indicated a high level of satisfaction overall and many

areas of significant improvement from a similar survey done two years ago. Several potential areas for further improvement were also identified and will be brought back for discussion by the Advisory Council in 2014.

2013 marks the completion of my term on the Advisory Council as well as the terms of seventeen other members. I want to express my appreciation to my Vice-Chairmen, members and staff for their support in the work of the Advisory Council. I believe a strong Advisory Council, with its forward-thinking, strategic focus, is essential to the achievement of the IFRS Foundation's mission. I am delighted to leave it in such capable hands.



Chairman of the IFRS Advisory Council



JOANNA PERRY  
NEW CHAIRMAN OF  
THE IFRS ADVISORY COUNCIL

In December 2013 the Trustees of the IFRS Foundation announced the appointment of Joanna Perry as new Chairman of the IFRS Advisory Council with effect from 01 April 2014.

Joanna Perry previously served as Chairman of the New Zealand Financial Reporting Standards Board (FRSB) for eight years until June 2011, leading the evolution of financial reporting standards in New Zealand, including the adoption of IFRS from 2005. As Chairman of the FRSB, during this time she also served as a Member of the Australian Accounting Standards Board (AASB).

# MEMBERS OF THE ADVISORY COUNCIL

As at 31 December 2013

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	Non-Executive Director, Westfarmers and Centro Retail Australia. Former Chairman, Australian Financial Reporting Council (AFRC)
Vice-Chairman, IFRS Advisory Council	Christoph Hütten	SVP and Chief Accounting Officer, SAP AG
Accounting Standards Council (Singapore)	Gerard Ee*	Chairman, National Kidney Foundation Singapore
Associated Chambers of Commerce of India	R Sankaraiah	Executive-Director Finance, Jubilant Life Science Limited
Basel Committee on Banking Supervision	René van Wyk	Deputy Director General, Directorate General Operations, Banque de France; Head of Bank Supervision and Registrar of Banks, South African Reserve Bank
BDO International	Andrew Buchanan*	Global Head of IFRS
Brazilian Association of Listed Companies	Valeska Barros	Controller, LLX Logística S/A
CFA Institute	Vincent Papa	Director, Financial Reporting Policy
Comision Nacional Bancaria y de Valores, Mexico	Ricardo Piña Gutierrez	General Director of Market Supervision
Corporate Reporting Users' Forum	Norbert Barth*	Executive Director, Head of European Chemical Research, WestLB
Council of Institutional Investors	Jeff 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	Professor Begoña Giner	President
European Central Bank	Panagiotis Strouzas	Head of Financial Services Policy Division
European Financial Reporting Advisory Group (EFRAG)	Françoise Flores	Chairman of EFRAG Technical Experts Group
European Insurance and Reinsurance Federation	Jacques Le Douit*	Accounting Research and Development Director, AXA
European Securities and Markets Authority	Laurent Degabriel	Head of Investment and Reporting Division
Fédération Internationale des Experts-Comptables Francophones	Daniel McMahon	President and CEO of the Ordre des comptables professionnels agréés du Québec, Canada
Ferrovial S.A.	Ernesto López Mozo	Chief Financial Officer
Financial Executives International (Canada)	Karyn Brooks*	SVP and Controller, Bell Canada Enterprises
Financial Executives International (FEI)	Rudolf A Bless	Deputy Chief Financial Officer and Chief Accounting Officer, Credit Suisse
Financial Reporting Standards Council of South Africa	Bruce Mackenzie	Managing Partner, W. Consulting
Grant Thornton	April Mackenzie*	Global Head of Governance and Public Policy

\* Retired at the end of 2013



Represented body	Represented by	Occupation
Group of European national standard-setters	Rotating annually among the standard-setters of France, Germany, Italy and the UK.	
	Piero di Salvo	Secretary General, Organismo Italiano della Contabilità (OIC) (Italy)
	Roger Marshall	Chairman, UK Accounting Standards Board
	Jérôme Haas	President, Autorité des Normes Comptables (France)
	Liesel Knorr	President, DRSC e.V. (Germany)
Group of North American Insurance Enterprises	Jerry de St. Paer*	Executive Chairman, Group of North American Insurance Enterprises
Hong Kong Institute of Certified Public Accountants	Roger Best	Former Partner, Deloitte Hong Kong
Institute of International Finance	Gavin Francis	Deputy Group Chief Accounting Officer HSBC
International Actuarial Association	Francis Ruygt*	Chief Risk Officer, ING Insurance Benelux
International Association for Accounting Education and Research (IAAER)	Michael Bradbury	IAAER, Standards Advisory Council Consult Committee
International Association of Insurance Supervisors (IAIS)	Markus Grund	Chief Accountant, Federal Financial Supervisory Authority, Germany
International Corporate Governance Network (ICGN)	Anne Molyneux	Director, CS International and ICGN member
International Federation of Accountants	Jim Sylph*	Executive Director, Professional Standards and External Relations
International Monetary Fund	Ghiath Shabsigh	Assistant Director, Monetary and Capital Markets Department
International Organization of Securities Commissions (IOSCO), developed economies (shared membership)	Thomas Blöink	Head of Accounting Law and Auditing Law, Federal Ministry of Justice of Germany
	Patrick Parent	Executive Director Corporate Accounting and Audit, Autorité des Marchés Financiers
International Organization of Securities Commissions (IOSCO), emerging economies	Wang Haoyu	Officer, Accounting Regulatory Department of the Chinese Securities Regulatory Commission (CSRC)
Investment Company Institute	Gregory M Smith	Director of Fund Accounting and Compliance
Investment Management Association	Liz Murrall*	Director of Corporate Governance and Reporting
Korea Accounting Standards Board	Chanhong Kim*	Vice-Chairman
KPMG	Mark Vaessen*	Global IFRS network leader
Ministry of Finance (People's Republic of China)	Yang Min	Director General of Accounting Regulatory Dept
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	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 and Analysis Unit

Represented body	Represented by	Occupation
New members joining in 2014:		
Chairman	Joanna Perry	Non-Executive Director, Genesis Energy, Kiwi Income Property Trust
BDO International	Dr Jens Freiberg	Head of International Financial Reporting, BDO AG Wirtschaftsprüfungsgesellschaft
Caisse de dépôt et Placement du Québec	Maarika Paul	Executive Vice-President and Chief Financial Officer
Corporate Reporting Users Forum (CRUF)	Dr Lothar Weniger	ALIAG, Usingen, Owner
Council of Institutional Investors (USA)	Anne Simpson	Director of Global Governance
Deloitte	Stephen Taylor	Audit Partner
Emirates NBD	Surya Subramanian	Group Chief Financial Officer
EY	Danita Ostling	Partner
Grant Thornton	Jake Green	Director of financial reporting, Grant Thornton UK LLP
HUB Global Insurance Group	Lynda Sullivan	EVP and Group Chief Accounting Officer, Manulife Financial
Insurance Europe	Olav Jones	Deputy Director General
International Actuarial Association	Micheline Dionne	Senior Vice-President and Chief Actuary, RGA
International Federation of Accountants	Stephenie Fox	Technical Director, International Public Sector Accounting Standards Board
Investment Management Association (IMA)	Peter Chambers	Warburg Pincus LLC, Executive Consultant
Korea Accounting Standards Board (KASB)	Steve Lim	Advisor, KASB and Professor of Accounting, University of Seoul
KPMG	Egbert Eeftink	Audit partner KPMG
National Organisation for Financial Accounting and Reforming Standards (NOFA)	Igor Kozyrev	Chairman of the Management Board, Deputy Chief Accountant, Deputy Vice-President, Head of external reporting department, LUKOIL
Securities Analysts Association of Japan	Goro Kumagai	Senior Fellow, Strategic Research Department

#### Observer organisations:

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission



# FINANCIAL HIGHLIGHTS

The principal objective of the IFRS Foundation is to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. The IFRS Foundation's standard-setting body, the IASB, is responsible for developing and promoting the use and rigorous application of these Standards. The IFRS Foundation is responsible for the oversight, administration, operational support and management of finances to support the objectives of the organisation.

## 2013 financial results

The IFRS Foundation's financial statements are prepared in accordance with IFRS. The accompanying financial statements indicate the following key financial highlights:

- the IFRS Foundation is reporting £2.4 million of comprehensive income for 2013.
- total income from all activities increased to £27.4 million, from £25.5 million in 2012. This is an increase of 7 per cent, primarily from an increase in contributions.
- total operating expenses increased to £25.2 million, an increase of 6 per cent from £23.8 million in 2012.
- as of 31 December 2013 the IFRS Foundation's net assets were £13.2 million. This level of reserves is 52 per cent of 2013 operating expenses, an increase from 46 per cent in 2012.

## Contributions

The IFRS Foundation is a not-for-profit organisation whose primary source of income comes from voluntary contributions from countries that have put in place national financing regimes. Funding mechanisms differ from country to country, however most countries have either established a levy on companies or provide an element of publicly supported financing to the IFRS Foundation. In 2013 the Trustees have continued their work towards establishing a global funding regime for the IFRS Foundation that maintains the independence of the standard-setting process, but provides organisational accountability.

In 2013 contributions were £21.4 million, an increase of 7 per cent from 2012. A list of contributors is presented in the following section of the report. Efforts have been made in 2013 to increase the number of contributing countries. It can take time to establish effective communication channels with new countries; however, significant progress has been made and several new countries will be providing contributions in 2014.

## Publications and related activities

Revenue from publications and related activities amounts to 21 per cent of the IFRS Foundation's total income. It consists of the sale proceeds from publications, subscriptions to eIFRS (electronic and app-based products), licences and copyright waivers for jurisdictions adopting IFRS, royalties and conference income.

In 2013 total publications revenue increased 6 per cent to £5.6 million (2012: £5.3 million). The cost of publications and related expense also increased in 2013 to £3.4 million, an increase of 6 per cent (2012: £3.2 million). In 2013, 38 products were published by the IFRS Foundation including the IFRS Bound Volumes with updated content, several Exposure Drafts, amendments and educational material. The IFRS Foundation is also currently investigating improvements to access to its online materials to enhance the service offered to subscribers.

## Expenses

Total operating expenses were £25.2 million in 2013, an increase of 6 per cent from 2012. (2012: £23.8 million) Salaries, wages and benefits, which includes payroll taxes, increased by 9 per cent from the 2012 level. This is primarily because of an increase in staff headcount in 2013. The average headcount (including IASB members and interns) rose from 127 in 2012 to an average of 136 in 2013. In 2013, the IFRS Foundation staff's income tax and national insurance contributions totalled £6.7 million, because substantially all the staff are based in the UK. Employee remuneration is benchmarked annually using a specialist professional services firm who provide data from suitable third-party organisations.

In 2012 there was a £0.3 million reduction in the provision for the HMRC tax settlement because of the favourable resolution of one of the pending issues. A conclusion was reached on all remaining issues in 2013 which led to a further reduction in the provision in 2013 of £88,000 (see note 15 of the financial statements).

Savings were made in travel, accommodation and related expenses and other costs in 2013. Travel costs fell by 12 per cent compared to 2012, which was primarily due to more effective management of travel in line with the updated travel policy. The policy provides specific guidance to staff on expense reimbursement and policies such as the pre-clearance of all international travel.

In 2013 the IFRS Foundation conducted an internal review of operational expenditure looking at all areas of expenditure across the organisation. The review examined the IFRS Foundation's procedures and policies for managing expenditure. In 2014 this review is being built on as the Trustees have initiated an external operational expenditure review to identify additional areas in which improvements to operational procedures and processes could occur.

## Reserves

As of 31 December 2013 the IFRS Foundation's reserves were £13.2 million (2012: £10.8 million). The Trustees have included within the IFRS Foundation's 2014–2016 three year plan a proposal to increase reserves to a level equivalent to one year's operating expenditure over a 4–5 year period. This will be managed by prudent control of operating expenditure and initiatives to increase the IFRS Foundation's income.

## 2014 outlook

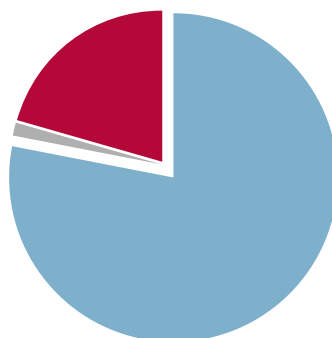
During 2014, the IFRS Foundation will continue to manage its operating expenditure effectively and will actively pursue further initiatives to enhance the organisation's income. The 2014–2016 three year plan does not envisage significant increases in the operating requirements of the organisation.

**2013****OPERATING INCOME****£'000**

Contributions	21,372
Other income	374
Revenue from publications and related activities	5,621
<b>TOTAL</b>	<b>27,367</b>

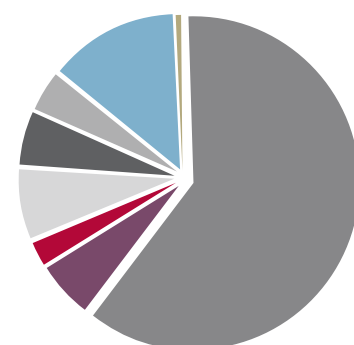
**EXPENSES****£'000**

Salaries, wages and benefits	15,515
Payroll taxes	1,432
Trustees' fees	653
Travel, accommodation and related expenses	1,858
Occupancy expenses	1,400
Other costs	1,046
Cost of publications and related activities	3,399
Reduction in provision for HMRC tax settlement	(88)
<b>TOTAL</b>	<b>25,215</b>



2013 SOURCES OF INCOME IN PER CENT

- CONTRIBUTIONS (78.09)
- OTHER INCOME (1.37)
- REVENUE FROM PUBLICATIONS AND RELATED ACTIVITIES (20.54)



2013 EXPENSES IN PER CENT

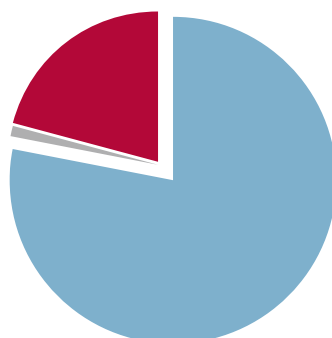
- SALARIES, WAGES AND BENEFITS (61.53)
- PAYROLL TAXES (5.68)
- TRUSTEES' FEES (2.59)
- TRAVEL, ACCOMMODATION AND RELATED EXPENSES (7.37)
- OCCUPANCY EXPENSES (5.55)
- OTHER COSTS (4.15)
- COST OF PUBLICATIONS AND RELATED ACTIVITIES (13.48)
- REDUCTION IN PROVISION FOR HMRC TAX SETTLEMENT (-0.35)

**2012****OPERATING INCOME****£'000**

Contributions	20,030
Other income	149
Revenue from publications and related activities	5,324
<b>TOTAL</b>	<b>25,503</b>

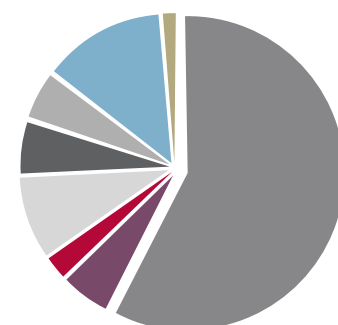
**EXPENSES****£'000**

Salaries, wages and benefits	14,181
Payroll taxes	1,390
Trustees' fees	631
Travel, accommodation and related expenses	2,113
Occupancy expenses	1,367
Other costs	1,236
Cost of publications and related activities	3,208
Reduction in provision for HMRC tax settlement	(290)
<b>TOTAL</b>	<b>23,836</b>



2012 SOURCES OF INCOME IN PER CENT

- CONTRIBUTIONS (78.54)
- OTHER INCOME (0.58)
- REVENUE FROM PUBLICATIONS AND RELATED ACTIVITIES (20.88)



2012 EXPENSES IN PER CENT

- SALARIES, WAGES AND BENEFITS (59.49)
- PAYROLL TAXES (5.83)
- TRUSTEES' FEES (2.65)
- TRAVEL, ACCOMMODATION AND RELATED EXPENSES (8.86)
- OCCUPANCY EXPENSES (5.74)
- OTHER COSTS (5.19)
- COST OF PUBLICATIONS AND RELATED ACTIVITIES (13.46)
- REDUCTION IN PROVISION FOR HMRC TAX SETTLEMENT (-1.22)

# 2013 FINANCIAL SUPPORTERS

(amounts translated into sterling on date received)

Country	Organisation	
Cumulative amount raised by country appears below country name		
AUSTRALIA		
£685,676		
£100,000+	Financial Reporting Council	
Less than £25,000	Reserve Bank of Australia	
BRAZIL		
£307,258		
£100,000+	Comitê de Pronunciamentos Contábeis	
£25,000+	The Brazilian Development Bank (BNDES)	Central Bank of Brazil
BULGARIA		
£5,228	Bulgarian National Bank	
CANADA		
£547,884		
£100,000+	Chartered Professional Accountants of Canada	
Less than £25,000	Office of the Superintendent of Financial Institutions Canada	

Country	Organisation	
<b>CHINA</b> £836,799	Through system created by the Ministry of Finance	
£50,000+	China Ministry of Finance	Shanghai Stock Exchange
	Chinese Institute of Certified Public Accountants	Shenzhen Stock Exchange
£25,000+	China Development Bank	China Petroleum & Chemical Corporation
	China National Offshore Oil Corporation	PetroChina Company Limited
Less than £25,000	Agricultural Bank of China	China Shipping Container Lines Co Ltd
	Air China Limited	China Shipping Development Co Ltd
	Aluminium Corporation of China Limited	China Telecom Corporation Limited
	Bank of China Limited	China Unicom Corporation Limited
	Bank of Communications Co Ltd	China Vanke Co Ltd
	China Construction Bank Limited	Dongfeng Motor Corporation
	China COSCO Holdings Company Limited	Industrial and Commercial Bank of China
	China International Marine Containers (Group) Ltd	Jingwei Textile Machinery Co Ltd
	China Life Assurance Company Limited	PICC Property and Casualty Company Limited
	China Merchants Bank Co Limited	Ping An Insurance (Group) Company of China Ltd
	China Mobile Limited	Yanzhou Coal Mining Company Ltd
<b>EU</b> £3,461,965	European Commission	
<b>FRANCE</b> £832,154	French Ministry of Finance (ANC)	



Country	Organisation	
<b>GERMANY</b> <b>£844,891</b>	<i>Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V. the German standard-setting organisation</i>	
£25,000+	Adidas AG	Fresenius Medical Care AG
	Allianz SE	Fresenius SE & Co. KGaA
	BASF SE	Henkel AG & Co. KGaA
	Bayer AG	K+S AG
	Beiersdorf AG	Linde AG
	BMW AG	Merck KGaA
	Commerzbank AG	Münchener Rückversicherungs AG
	Daimler AG	RWE AG
	Deutsche Bank AG	SAP AG
	Deutsche Post AG	Siemens AG
	Deutsche Telekom AG	Volkswagen AG
	E.ON SE	

Country	Organisation	
<b>GERMANY continued</b> Less than £25,000	Aareal Bank AG	Hornbach Holding AG
	AIXTRON AG	HSBC Trinkaus & Burkhardt AG
	Alstria office REIT-AG	HSB Nordbank AG
	Altana AG	KfW Bankengruppe
	Bauer AG	Landesbank Hessen-Thüringen Girozentrale
	Bilfinger Berger SE	Lanxess AG
	Continental AG	MTU Aero Engines Holding AG
	CropEnergies AG	MVV Energie AG
	DekaBank	Nordex AG
	Deutsche Beteiligungs AG	Norma Group
	Deutsche Postbank AG	Progress-Werk Oberkirch AG
	Dürr AG	Qiagen GmbH
	Epcos AG	QSC AG
	Evonik Industries AG	Robert Bosch GmbH
	Fielmann AG	Sal. Oppenheim jr. & Cie. AG & Co. KGaA
	Fraport AG	Sartorius AG
	Gagfah Group	SGL Carbon SE
	Generali Deutschland Holding AG	Südzucker AG
	Gerresheimer Glas GmbH	TAKKT AG
	Grammer AG	TUI AG
	Hannover Rückversicherungs AG	Wacker Chemie AG
	Heidelberger Druckmaschinen AG	WireCard AG

Country	Organisation	
<b>HONG KONG</b> £123,227		
£50,000+	Hong Kong Exchanges & Clearing Ltd	
£25,000+	Hong Kong Securities and Futures Commission	
Less than £25,000	Hong Kong Monetary Authority	
<b>INDIA</b> £263,227	Contributions made through Stock Exchanges	
£100,000+	Bombay Stock Exchange Limited	National Stock Exchange of India Limited
<b>INTERNATIONAL</b> £46,128	Bank for International Settlements	
<b>IRELAND</b> £6,584	Central Bank & Financial Services Authority of Ireland	
<b>ITALY</b> £633,010	Organismo Italiano di Contabilità	
<b>JAPAN</b> £1,784,896	Financial Accounting Standards Foundation	
£315,000	Financial Accounting Standards Foundation, restricted contribution for the Asia-Oceania office	
<b>KAZAKHSTAN</b> £6,575	National Bank of Kazakhstan	
<b>MALAYSIA</b> £40,994	Malaysian Accounting Standards Board	
<b>NETHERLANDS</b> £340,591		
£100,000+	Ministry of Finance	
Less than £25,000	De Nederlandsche Bank	
<b>NEW ZEALAND</b> £102,555	External Reporting Board	
<b>NIGERIA</b> £65,841	Financial Reporting Council of Nigeria	
<b>NORWAY</b> £104,998	Financial Supervisory Authority of Norway	
<b>PORTUGAL</b> £16,460	Banco de Portugal	

Country	Organisation	
<b>REPUBLIC OF KOREA</b> £460,890	Contributions organised through Korea Accounting Standards Board	
£25,000 +	Financial Supervisory Service	Samsung Electronics Company, Ltd
	Korean Institute of Certified Public Accountants	
Less than £25,000	Deloitte Anjin LLC	Samjong Accounting Corp.
	Doosan Heavy Industries & Construction	Samsung C&T Corporation
	Ernst & Young Han Young	Samsung Engineering Co, Ltd
	GS Caltex Corporation	Samsung Fire & Marine Insurance Co, Ltd
	Hana Financial Group Inc.	Samsung Heavy Industries Co, Ltd
	Hyundai Motor Company	Samsung Life Insurance Corporation
	Industrial Bank of Korea	Samsung SDI Co, Ltd
	KB Financial Group Inc.	Samsung Securities Co, Ltd
	KCC Corporation	Shinhan Financial Group Co, Ltd
	Korea GAS Corporation	SK Telecom
	KT	S-Oil Corporation
	Lotte Shopping Co, Ltd	STX Corporation
	NHN	Woori Financial Group
	Samil PricewaterhouseCoopers	
<b>RUSSIA</b> £356,817	Ministry of Finance of the Russian Federation	
<b>SAUDI ARABIA</b> £174,862	Saudi Organization for Certified Public Accountants	
<b>SINGAPORE</b> £60,000	Ministry of Finance	
<b>SOUTH AFRICA</b> £93,452	Financial Reporting Standards Council	

Country	Organisation	
<b>SPAIN</b> £341,239	Bolsas y Mercados Españoles	
<b>SWITZERLAND</b> £95,524		
£50,000+	SwissHoldings	
Less than £25,000	Swiss National Bank	Tornos Holding AG
<b>UNITED KINGDOM</b> £900,000	Levy system organised by Financial Reporting Council	
<b>UNITED STATES OF AMERICA</b> £1,151,635		
£100,000+	Bank of America	Goldman Sachs Group, Inc
	Citigroup	Morgan Stanley
£50,000+	AICPA	JPMorgan Chase
	CFA Institute	Microsoft Corporation
	ExxonMobil Corporation	TIAA-CREF
£25,000+	Board of Governors of the US Federal Reserve System	Oracle
	Capital Group Companies	
Less than £25,000	Chrysler Group LLC	PepsiCo
	DuPont	United Technologies
	General Motors Corporation	

International Accounting Firms		
£6,596,240		
(US\$2.5 million each)	Deloitte & Touche Tohmatsu Limited	KPMG
	Ernst & Young	PricewaterhouseCoopers
£100,000+	BDO (Brussels Worldwide Services bvba) (US\$200,000)	Grant Thornton (US\$200,000)
£50,000+	Mazars (US\$100,000)	
£25,000+	Crowe Horwath International (US\$75,000)	

Not all amounts were recognised during 2013

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS FOUNDATION

We have audited the accompanying financial statements of the International Financial Reporting Standards Foundation, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Foundation's Trustees, as a body, in accordance with Section 13 of the Foundation's Constitution. Our audit work has been undertaken so that we might state to the Foundation's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Foundation and the Foundation's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Trustees' responsibility for the financial statements

The Foundation's Trustees are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to audit and express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Grant Thornton UK LLP**

Statutory Auditor, Chartered Accountants  
London  
United Kingdom  
10 April 2014

# STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013	Notes	2013 £'000	2012 £'000
<b>INCOME</b>			
<b>Standard-setting</b>			
Contributions	3	21,372	20,030
Other income	3	374	149
		21,746	20,179
<b>Publications and related activities</b>			
Revenue from publications and related activities	4(a)	5,621	5,324
		27,367	25,503
<b>EXPENSES</b>			
<b>Standard-setting</b>			
Salaries, wages and benefits	5	(16,947)	(15,571)
Trustees' fees	6	(653)	(631)
Travel, accommodation and related expenses	7	(1,858)	(2,113)
Occupancy expenses	8	(1,400)	(1,367)
Other costs	9	(1,046)	(1,236)
Reduction in provision for HMRC tax settlement	15	88	290
		(21,816)	(20,628)
<b>Publications and related activities</b>			
Cost of publications and related activities	4(b)	(3,399)	(3,208)
		(25,215)	(23,836)
<b>OPERATING INCOME</b>		<b>2,152</b>	<b>1,667</b>
Finance income	11	390	883
Finance costs	11	(162)	(126)
<b>INCOME BEFORE TAX</b>		<b>2,380</b>	<b>2,424</b>
Income tax expense	14	–	–
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,380</b>	<b>2,424</b>

## Statement of changes in equity

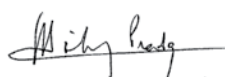
<b>YEAR ENDED 31 DECEMBER 2013</b>			
Retained surplus at beginning of year		10,839	8,415
Comprehensive income for the year		2,380	2,424
<b>RETAINED SURPLUS AT END OF YEAR</b>		<b>13,219</b>	<b>10,839</b>

The notes on pages 53–59 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013	Notes	2013 £'000	2012 £'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,048	8,379
Contributions receivable	3	1,339	1,674
Trade and other receivables	13(b)	688	716
Prepaid expenses		603	668
Inventories		137	153
Bonds at fair value	12	672	760
Forward currency contracts at fair value	12	157	371
		10,644	12,721
<b>Non-current assets</b>			
Bonds at fair value	12	5,685	4,023
Forward currency contracts at fair value	12	373	40
Leasehold improvements, furniture and equipment	10(a)	709	793
		6,767	4,856
<b>TOTAL ASSETS</b>		<b>17,411</b>	<b>17,577</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		338	265
Payroll taxes payable		581	627
Accrued expenses		1,124	1,285
Provision for HMRC tax settlement	15	–	94
Contributions received in advance	3	350	2,695
Rent incentive		82	82
Publications revenue received in advance		780	871
Forward currency contracts at fair value	12	66	–
		3,321	5,919
<b>Non-current liabilities</b>			
Forward currency contracts at fair value	12	–	15
Lease reinstatement obligation	10(b)	562	413
Rent incentive		309	391
		871	819
<b>TOTAL LIABILITIES</b>		<b>4,192</b>	<b>6,738</b>
<b>NET ASSETS</b>		<b>13,219</b>	<b>10,839</b>

The notes on pages 53–59 form part of these financial statements. The financial statements on pages 50–59 were approved by the Trustees of the IFRS Foundation on 10 April 2014 and authorised for issue on 10 April 2014.



Michel Prada, Chair of the Trustees

# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013	Notes	2013 £'000	2012 £'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Contributions		19,497	19,385
Publications and related activities		5,604	5,276
Funding for Asia–Oceania office	3	315	613
Interest		129	259
Foreign exchange settlements		142	88
Other receipts		25	29
<b>Cash paid</b>			
Salaries, wages and benefits		(16,162)	(15,994)
Publications and related activities direct costs		(3,444)	(2,942)
Trustees' fees		(612)	(724)
Other expenses		(4,975)	(4,025)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>519</b>	<b>1,965</b>
<b>INVESTING ACTIVITIES</b>			
Matured bonds receipts		700	3,226
New bond purchases		(2,385)	(3,307)
Purchase of leasehold improvements, furniture and equipment		(66)	(488)
<b>NET CASH DECREASES FROM INVESTING ACTIVITIES</b>		<b>(1,751)</b>	<b>(569)</b>
Effects of exchange rate changes on cash and cash equivalents		(99)	(14)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,331)</b>	<b>1,382</b>
Cash and cash equivalents at the beginning of the period		8,379	6,997
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>7,048</b>	<b>8,379</b>

The notes on pages 53–59 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 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 IFRS, being the Standards and Interpretations issued by the International Accounting Standards Board (IASB), through the convergence of national accounting standards and IFRS.

The governance and key management responsibilities of the IFRS Foundation rest primarily with its Trustees, who provide oversight of the IASB and its related bodies, the IFRS Interpretations Committee and the IFRS Advisory Council. A Monitoring Board, consisting of capital market authorities for financial reporting, provides a formal public accountability link between the Trustees and public authorities.

## 2. Accounting policies

### (a) Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards. 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* earlier than the effective date.

### (b) Contributions

Contributions are recognised as income in the year designated by the contributor. The estimated fair value of donated services, if any, is recognised as contribution income 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 and permission fees are recognised as revenue on an accrual basis. Publications cost of sales comprises 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 five years, except computer equipment, which is depreciated over three years.

### (f) Office accommodation—operating leases

The IFRS Foundation's leases of office space are classified and accounted for as operating leases. 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 presentation 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: (1) the IFRS Foundation has a present obligation (legal or constructive) as a result of a past event, (2) it is probable that an outflow of resources with economic benefits will be required to settle the obligation, and (3) 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 2013.

IFRS 13 became effective on 1 January 2013 and has been applied. The IFRS Foundation has concluded that there are no other 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 2013, amounting to £350,000 (2012: £2,695,000), 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 2013, amounting to a total of £1,339,000 (2012: £1,674,000), specifically designated by the contributors for use by the IFRS Foundation in 2013, were recognised as revenues at the end of 2013 and included as contributions receivable. A full list of contributors can be found on pages 45–48.

Separate funding of £315,000/¥50,000,000 (2012: £613,000/¥81,000,000) was received towards the setup and operations of the Asia-Oceania office located in Tokyo; £352,000 (2012: £130,000) has been recognised in other income to offset the current year's operating expenses.

### 4. Publications and related activities\*

#### (a) Revenue from publications and related activities

	2013 £'000	2012 £'000
Sales of subscriptions and publications	3,238	3,065
Royalties and permission fees	2,137	2,031
Other income	246	228
<b>TOTAL</b>	<b>5,621</b>	<b>5,324</b>

#### (b) Cost of publications and related activities

	2013 £'000	2012 £'000
Staff salaries and related costs (see note 5)	1,954	1,717
Cost of goods sold	451	542
Depreciation	32	39
Other costs, including occupancy expenses	962	910
<b>TOTAL</b>	<b>3,399</b>	<b>3,208</b>

\*Related activities include the Education and IFRS Taxonomy Initiatives.

## 5. Salaries, wages and benefits

The IFRS Foundation had an average of 136 employees (including IASB members and interns) during 2013 (2012: 127).

	2013 £'000	2012 £'000
<b>Staff costs included in standard-setting expenses:</b>		
Salaries and other costs, including IASB members	16,186	14,964
Contributions to defined contribution pension plans	761	607
	16,947	15,571
<b>Staff costs included in publications expenses (see note 4):</b>		
Salaries and other costs	1,828	1,604
Contributions to defined contribution pension plans	126	113
	1,954	1,717
<b>TOTAL</b>	<b>18,901</b>	<b>17,288</b>

The Trustees' Human Capital Committee is responsible for reviewing, benchmarking and making recommendations on salary and benefit levels. These recommendations are reviewed and approved annually by the Trustees as a whole. Effective April 2013, the Trustees approved annual remuneration levels, resulting in the following IASB gross salaries covering all compensation and benefits: £548,600 for the IASB Chairman (2012: £537,800); £483,600 for the IASB Vice-Chairman (2012: £474,100), and an average of £451,400 for other full-time IASB members (2012: £440,200).

In addition to the Trustees, the IASB Chairman and the IASB Vice-Chairman, the key management personnel includes the Executive Director at an annual gross salary of £220,000 (2012: £200,000). The IFRS Foundation pays monthly contributions, at rates between 8 per cent and 10 per cent of gross salary, into a group personal pension scheme for participating staff.

## 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 22 Trustees in 2013 (2012: 21). In 2013 the fee for the Chairman of the Trustees was £200,000 (2012: £200,000). Trustees are remunerated by an annual fixed fee of £20,000 with an additional £7,000 paid to the committee Chairs.

## 7. Travel, accommodation and related expenses

COST INCURRED BY:	2013 £'000	2012 £'000
IASB members	537	674
Trustees	454	543
IFRS Interpretations Committee, IFRS Advisory Council and other advisory bodies	389	409
Other IFRS Foundation staff	478	487
<b>TOTAL</b>	<b>1,858</b>	<b>2,113</b>

## 8. Occupancy expenses

	2013 £'000	2012 £'000
Rent	786	786
Service charges	205	205
Rates, insurance and energy	446	450
Depreciation	241	211
	1,678	1,652
Less amounts included in publications costs	(278)	(285)
<b>TOTAL</b>	<b>1,400</b>	<b>1,367</b>

## 9. Other costs

	2013 £'000	2012 £'000
Communication and technology	465	520
Audit, legal and taxation fees	196	254
External relations	49	90
Recruitment activities	102	158
Other	234	214
<b>TOTAL</b>	<b>1,046</b>	<b>1,236</b>

## 10. Property, plant and equipment

### (a) Leasehold improvements, furniture and equipment

	Leasehold improvements £'000	Furniture, equipment £'000	TOTAL £'000
<b>COST</b>			
At 1 January 2013	1,246	1,041	2,287
Additions	150	66	216
Disposals/retirements	–	(64)	(64)
Exchange rate movements	(24)	(46)	(70)
At 31 December 2013	1,372	997	2,369
<b>ACCUMULATED DEPRECIATION</b>			
At 1 January 2013	862	632	1,494
Charge for the year	83	158	241
Disposals/retirements	–	(64)	(64)
Exchange rate movements	(2)	(9)	(11)
At 31 December 2013	943	717	1,660
<b>NET CARRYING AMOUNT AT 31 DECEMBER 2013</b>	<b>429</b>	<b>280</b>	<b>709</b>
<b>NET CARRYING AMOUNT AT 31 DECEMBER 2012</b>	<b>384</b>	<b>409</b>	<b>793</b>

### (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	2013 £'000	2012 £'000
Within one year	839	855
In two to five years	3,161	3,419
More than five years	217	947
<b>TOTAL</b>	<b>4,217</b>	<b>5,221</b>

The IFRS Foundation is committed to make payments to cover the cost of reinstating the London and Tokyo buildings when the leases expire in September 2018 and September 2022 respectively. 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. In 2013 the lease reinstatement provision was increased by approximately £149,000 to make adjustments for estimated increases for the London and Tokyo offices. Also in 2013, the IFRS Foundation terminated renting office space in New York. Temporary space is now rented as required.

## 11. Finance income and finance costs

FINANCE INCOME	2013 £'000	2012 £'000	FINANCE COSTS	2013 £'000	2012 £'000
Interest income	103	127	Fair value losses on forward foreign exchange contracts	(77)	(126)
Fair value gains on forward foreign exchange contracts	145	647	Fair value losses on bonds	(85)	–
Fair value gains on bonds	–	35	<b>TOTAL</b>	<b>(162)</b>	<b>(126)</b>
Exchange gains	142	74			
<b>TOTAL</b>	<b>390</b>	<b>883</b>			

## 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. Bond values are quoted on active markets, described as Level 1. The fair value of forward foreign exchange contracts is bank-provided and based on price models using observable exchange rates, described as Level 2.

### Financial instruments at fair value through profit or loss

	Fair value	Notional value	Fair value	Notional value
	2013 '000	2013 '000	2012 '000	2012 '000
<b>FINANCIAL ASSETS</b>				
Bonds, including accrued interest (Level 1)	£6,357	£6,333	£4,783	£4,673
Forward foreign exchange contracts USD (Level 2)	£453	\$24,800	£230	\$19,500
Forward foreign exchange contracts EUR (Level 2)	£77	€5,000	£181	€3,300
<b>FINANCIAL LIABILITIES</b>				
Forward foreign exchange contracts USD (Level 2)	–	–	£(5)	\$5,800
Forward foreign exchange contracts EUR (Level 2)	£(66)	€3,300	£(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.

## 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 advisers, 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. Bonds 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 does not generally 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 2013 the amount provided for was £68,000 (2012: £55,000).

### (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.

As at 31 December 2013 the IFRS Foundation had sold forward, on a two-year rolling basis, US \$24,800,000 at a weighted average rate of 1.598 to sterling (2012: US \$25,300,000 at a weighted average rate of 1.602). It had also sold forward, on a two-year rolling basis, euro €8,300,000 at a weighted average rate of 1.009 to sterling (2012: euro €6,600,000 at a weighted average rate of 1.186).

All non-current forward contracts expire in 2015 (2012: expire in 2014).

### (d) Foreign currency sensitivity

As a result of its use of forward contracts, the IFRS Foundation is exposed to the currency risk associated with the expected 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 actual net US dollar contributions received during the year of £127,000, and on the remaining actual net euro contributions received during the year of £296,000. 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 2013 the taxation expense is calculated on that basis and is estimated to be £nil (2012: £nil). On the basis of activity for 2013 and from previous years, at the end of 2013 the IFRS Foundation is carrying forward a loss for UK tax purposes of £4,496,000 (2012: £3,626,000). 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 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. The HMRC requested, and the IFRS Foundation agreed to, total payments on account of £82,000 (2012: £76,000), on a without prejudice basis pending final resolution and settlement.

An initial estimate of the total liability in 2011 was £460,000. In 2012 this provision was reduced by £290,000 after HMRC agreed with the IFRS Foundation's tax treatment of one significant issue. During 2013 the review was brought to a final conclusion. The HMRC determined a final tax liability of £82,000, without penalty, on the remaining issues and accepted the payments on account in full settlement. As a result, a reduction in provision of £88,000 (2012: £290,000) has been recognised in the Statement of Comprehensive Income.

## 16. Approval of financial statements

These financial statements were approved by the Trustees of the IFRS Foundation on 10 April 2014 and authorised for issue on 10 April 2014, 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 2013 – 31ST DECEMBER 2013



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Printed on 50 per cent recycled paper

With thanks to Alex Griffiths, Photographer  
and Sylvia Maksa, Graphic Designer