

# Annual Report 2016

*Better Communication in Financial Reporting*







# Mission Statement

## Financial reporting standards for the world economy

Our mission is to develop IFRS Standards that bring **transparency, accountability** and **efficiency** to financial markets around the world. Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

- IFRS Standards bring **transparency** by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.
- IFRS Standards strengthen **accountability** by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. Our Standards provide information that is needed to hold management to account. As a source of globally comparable information, IFRS Standards are also of vital importance to regulators around the world.
- IFRS Standards contribute to economic **efficiency** by helping investors to identify opportunities and risks across the world, thus improving capital allocation. For businesses, the use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs.

We are a **not-for-profit, public interest** organisation with oversight by a Monitoring Board of public authorities. Our governance and due process are designed to keep our standard-setting independent from special interests while ensuring accountability to our stakeholders around the world.





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# 1. Introduction

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# Report of the Chair of the IFRS Foundation Trustees



MICHEL PRADA  
CHAIR  
IFRS FOUNDATION TRUSTEES

For the IFRS Foundation, 2016 has been a year of taking stock. The Trustees completed our Review of Structure and Effectiveness, while the Board finalised its agenda consultation and the development of the Work Plan for the period 2017–2021 (discussed in the Chair of the International Accounting Standard Board's (the Board) report). Thanks to this work, we now have institutional and technical objectives for the next five years, and a strategic plan that will help us achieve these objectives. Meanwhile, jurisdictions around the world made further progress towards the G20-endorsed goal of global accounting standards.

## Review of structure and effectiveness

Every five years, the Trustees review the structure and effectiveness of the IFRS Foundation. Previous reviews have led to complete transparency in technical decision-making as well as to enhancements in our governance through the creation of a Monitoring Board of public authorities, to whom the Trustees are now accountable.

For the latest review, the Trustees sought feedback on three topics. First, how do we make sure IFRS Standards remain relevant against a backdrop of technological change and broader developments in corporate reporting? Second, to what extent should the organisation as the standard-setter play a role in supporting consistent application of IFRS Standards around the world? And finally, are further enhancements to our governance or funding required? I am grateful to the many institutions and individuals who responded to our consultation; the conclusions of this work are set out in the *Trustees' Review of Structure and Effectiveness: Feedback Statement on the July 2015 Request for Views*, which is available on the IFRS Foundation website.

## Relevance of IFRS Standards

The way investors and others consume financial information will evolve as technology becomes increasingly pervasive in financial reporting. As standard-setters, we have an important role to play, by providing a high quality taxonomy, available to all, as the source on which other financial reporting technologies and services will depend.

The IFRS Foundation has for many years invested in developing and maintaining a high-quality taxonomy, and that work has led to increasing numbers of countries to require or permit its use. Users are expected to further increase now that the European Securities and Markets Authority and the United States Securities and Exchange Commission are advancing use of the IFRS Taxonomy.

During the coming years we will further develop our network of experts that provide advice on technological innovation and its impact and relevance to IFRS Standards.

While our work in the area of electronic reporting will increase, we've decided to maintain the Board's focus on for-profit entities, with support from many of our stakeholders. That means the Board will cover neither the public sector nor the private not-for-profit sector, although we will continue to co-operate. The Board will centre its work on financial reporting standards while we consider its future role and work plan within the context of wider corporate reporting. We will of course continue to co-operate actively with other organisations which deal with such issues, including the International Public Sector Accounting Standards Board and the International Integrated Reporting Council.



## Implementation support

The Trustees also sought feedback on whether and to what extent we expand the focus of the IFRS Foundation to support consistent application of our Standards. With around 150 people, we are a small international organisation relative to many of our international peers. Our ability to provide hands-on support to the more than 130 jurisdictions that now require or permit our Standards is somewhat limited. Nonetheless, consultation respondents encouraged us to do more to support consistent application of our Standards globally.

This is not a new area for the IFRS Foundation. We already have a number of programmes in place to support this goal. For example, the IFRS Interpretations Committee helps to ensure that IFRS Standards are interpreted in a consistent manner around the world, while the Education Initiative runs conferences and workshops to help build knowledge and understanding of our work.

However, we can do more to enhance support in this important area, particularly when it comes to the implementation of major new Standards issued by the Board.

As a first step, we have aligned our education, implementation support and interpretations initiatives into a single team with a unified strategy. This approach helps us to offer a more comprehensive and integrated range of programmes to support consistent application. These changes are already starting to bear fruit: our teams have helped stakeholders around the world to apply the new revenue recognition, financial instruments and lease accounting requirements.

We also have ambitious plans to expand the range of services offered by this team, particularly enhancing our online delivery of resources and training materials to support the continuing professional development of accountants.

Moreover, we will further extend our capabilities and geographical reach through cooperation agreements with other international, regional and national bodies.

During 2016, we deepened our relationships with securities regulators by updating our cooperation agreement with the International Organisation of Securities Commissions and entering into a revised cooperation agreement with the European Securities and Markets Authority. We jointly hosted IFRS conferences with national standard-setters in Thailand, the United Kingdom, Switzerland, Namibia, Kenya and Peru. We also organised programmes of events in conjunction with Trustee meetings in Indonesia, India and London.

We will continue to seek opportunities for further cooperation in 2017, particularly to learn how best we can support the developing countries that now require the use of IFRS Standards. We see great opportunities to expand our relationship with international and regional development agencies such as the World Bank—helping to make available the IFRS Foundation's tremendous expertise for use by developing countries through online and offline channels.

## Governance and funding

A majority of respondents supported the IFRS Foundation retaining its three-tier governance structure, with an independent standard-setting board, overseen by Trustees, accountable to a Monitoring Board of public authorities.

However, the Trustees will enhance the transparency of how this structure works, starting with the Trustees' oversight. We are making public the Trustees' Due Process Oversight Committee meetings, one of the most important venues for Trustee oversight of the Board.

We also received support for reducing the size of the Board from 16 to 14 members, and for introducing greater flexibility in the geographical distribution of the Trustees and the Board by combining North and South America into a single 'Americas' category.

With regard to funding, the Trustees received broad support to continue with the current funding arrangements for the foreseeable future. Our funding is stable, but we continue to work towards the delivery of fair and equitable financial support across all jurisdictions that benefit from our Standards. The IFRS Foundation also aims to ensure that commercial organisations using the IFRS Foundation's intellectual property have appropriate licences in place. These licensing agreements help in part to offset the operational costs of the IFRS Foundation and also to provide opportunities for investment in digital media, improving the accessibility of our Standards.



During 2017, the main operational challenge for the IFRS Foundation will be the location of our office. The lease on our London headquarters will expire in 2018, and we have begun to consider options—with a preference to remain in London for at least the next five years.

### Consolidating global acceptance

While the organisation has been taking stock, we have seen further progress around the world towards the objective of global accounting standards. Much of this progress is due to the excellent co-operation that exists with national and regional accounting standard-setting bodies around the world. Of the 150 jurisdictions we have analysed, 126 (84 per cent) now require the use of IFRS Standards for all or most publicly listed companies while a further 13 jurisdictions (9 per cent) permit their use.

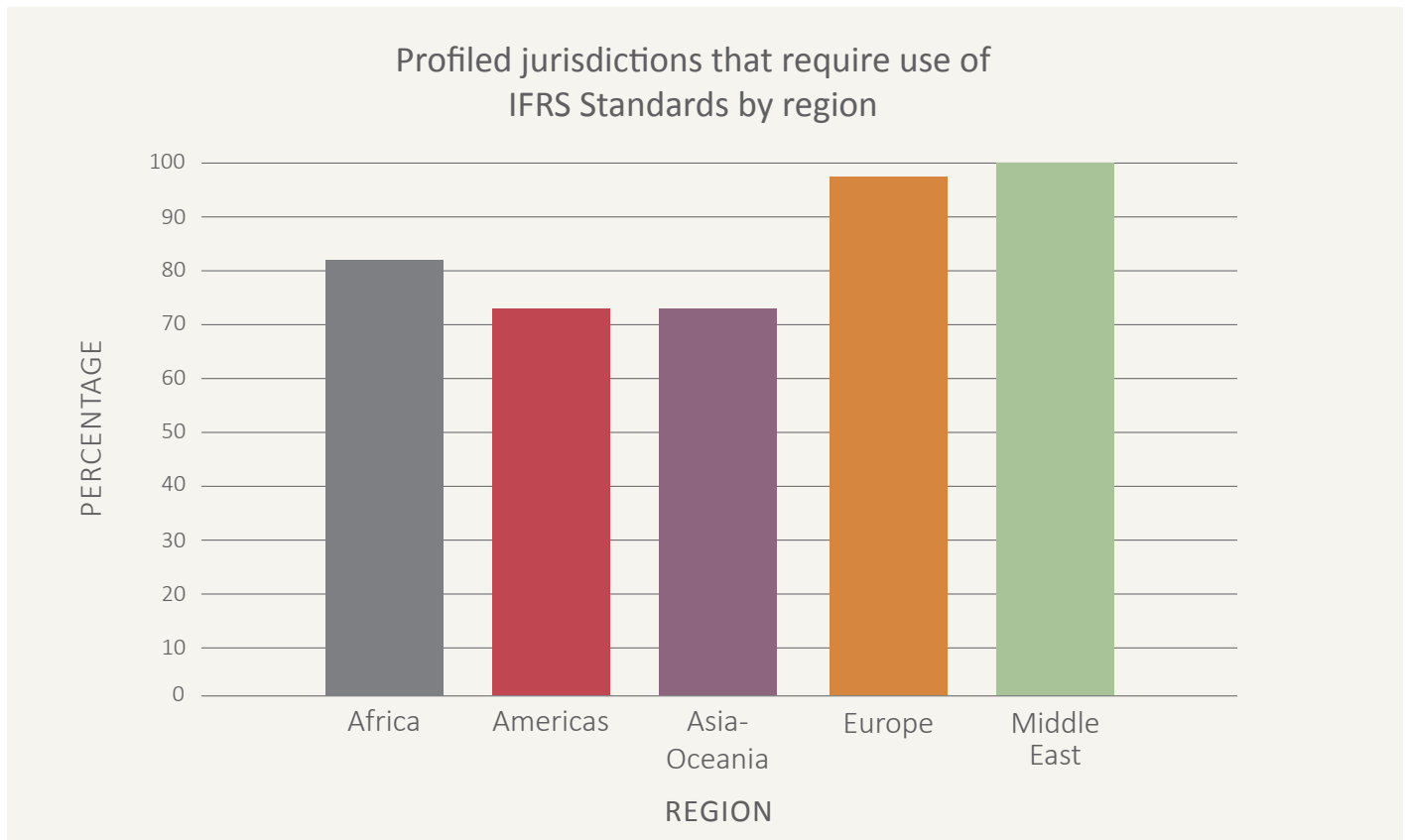
Moreover, we continue to see positive developments among the remaining jurisdictions. In the last two years, China and Indonesia have both reaffirmed their commitment to achieve full convergence with IFRS Standards, while India has taken a major step towards this goal with the introduction of Indian Accounting Standards that are substantially converged with IFRS Standards. In Japan, as of 30 June 2016, 141 companies representing nearly 30 per cent of the Tokyo Stock Exchange market capitalisation have voluntarily adopted or plan to adopt IFRS Standards.

Foreign registrants are allowed to list on US regulated markets using IFRS Standards but it is not clear whether or when domestic companies may be able to use them. The Board continues to work with the US Financial Accounting Standards Board on issues of common interest.

### With thanks

Now that we've completed the Review of Structure and Effectiveness, we have a plan for the next five years with clear and measurable strategic goals. None of this would be possible without the hard work and tremendous support of so many people—both within and outside of the organisation. The IFRS Foundation is a truly great example of what can be achieved through international cooperation towards a common goal. On behalf of the Trustees, I thank everyone involved in this endeavour. Our success is your success.

Michel Prada  
Chair of the IFRS Foundation Trustees





# Trustees of the IFRS Foundation



## **Michel Prada, Chair of the Trustees (Europe)**

Former Chairman of the Autorité des Marchés Financiers (AMF); former Chairman of the Technical Committee for the International Organization of Securities Commissions (IOSCO) (France)

*Second term expires: December 2017*



## **Ronald Arculli, Vice-Chair (Asia-Oceania)**

Former Chairman of Hong Kong Exchanges and Clearing Limited; former Chairman of the World Federation of Exchanges (Hong Kong)

*Second term expires: December 2017*



## **Sheila Fraser, Vice-Chair (Americas)**

Former 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)

*Second term expires: December 2018*

## Africa



## **Wiseman Nkuhlu**

(South Africa)

*Second term expires: December 2018*

## Americas



## **Guillermo Babatz**

(Mexico)

*First term expires: December 2018*



## **Alan Beller**

(United States)

*First term expires: December 2017*



## **James (Jim) Quigley**

(United States)

*Second term expires: December 2017*



## **Kurt Schacht**

(United States)

*First term expires: December 2017*



## **Maria Helena Santana**

(Brazil)

*Second term expires: December 2019*

## Asia-Oceania



## **Chandrashekhar Bhasker Bhave (C.B. Bhave)**

(India)

*Second term expires: December 2017*



## **Dr Abdulrahman Al-Humaid**

(Saudi Arabia)

*Second term expires: December 2018*



## **Joji Okada**

(Japan)

*Second term expires: December 2018*



## **Dr Takafumi Sato**

(Japan)

*First term expires: December 2017*



## **Lynn Wood**

(Australia)

*Second term expires: December 2019*



## Europe



**Werner Brandt**  
(Germany)  
First term expires:  
December 2017



**Sir Callum McCarthy**  
(United Kingdom)  
Second term expires:  
December 2017



**Marco Onado**  
(Italy)  
Second term expires:  
December 2017

## Retired at the end of 2016



**Duck Koo Chung**  
(Republic of Korea)



**Jin Liqun**  
(People's Republic  
of China)



**Dick Sluimers**  
(Netherlands)



**Antonio Zoido**  
(Spain)

## Trustee Committees

Committee	Chair
Audit and Finance Committee	Joji Okada
Due Process Oversight Committee	James (Jim) Quigley
Education and Content Services Committee	Marco Onado
Executive Committee	Michel Prada
Human Capital Committee	Ronald Arculli
Nominating Committee	Sheila Fraser

# Report of the Chair of the International Accounting Standards Board



HANS HOOGERVORST  
CHAIR  
INTERNATIONAL ACCOUNTING  
STANDARDS BOARD

The title of this year's annual report is *Better Communication in Financial Reporting*. This was the central theme that came out of our most recent *Agenda Consultation*, which we kicked off in 2015.

Having asked our stakeholders for their views on what the International Accounting Standards Board (the Board) should focus its efforts on over the next few years, we reported back in November 2016 on what we heard and our conclusions.

We received support for our work to date and for our direction of travel; we also received helpful input on the way forward. In addition to the clear support for our goal of improving the communications value of financial statements, the main conclusions from the *Agenda Consultation* were that we should prioritise completing the remaining big projects on our old work plan, continue developing our implementation support, and give more focus to our research programme.

We now have clear priorities and an agreed work plan for the next five years. However, this does not mean our work programme is set in stone. The world changes rapidly, therefore some level of flexibility is required.

## 2016 developments

In the early days of the Board, from 2001 onwards, we spent much of our time improving Standards inherited from our predecessor body, the International Accounting Standards Committee, and getting them ready for use by major economies.

Once this work was complete, we began a second phase—plugging gaps in those Standards. This has delivered material improvements in the areas of business combinations, fair value measurement, financial instruments, revenue recognition and, in January 2016, lease accounting. IFRS 16 *Leases* brings all leases onto the balance sheet and will provide investors with a more accurate picture of a company's liabilities.

In 2016, we made good progress in finalising the remaining elements of this second phase, which includes the new insurance contracts Standards and the revised *Conceptual Framework*. The Board completed all its deliberations on the new insurance contracts Standard during 2016 and the technical staff carried out field testing to ensure the forthcoming Standard is understandable and can be consistently applied. Both the new insurance contracts Standard and the revised *Conceptual Framework* will be issued in 2017.

Also in 2016, we issued amendments to some of our Standards. First, we amended IAS 7 *Statement of Cash Flows* in direct response to investors' calls for improved disclosures about financing liabilities to help them better understand changes in a company's debt.

Second, we issued narrow-scope amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify some of the requirements in the Standard and provide some additional transitional relief for companies that are implementing it. These changes resulted from discussions at the Transition Resource Group, which was set up to assist companies with implementing the new Standard.

Third, we amended the old insurance contracts Standard, IFRS 4. This was a temporary measure to address concerns highlighted about implementing IFRS 9 *Financial Instruments* before implementing the new insurance contracts Standard.

## 2017 and beyond

Under the central theme for our work plan of Better Communication for 2017–2021, there are three main elements: our Primary Financial Statements project, our Disclosure Initiative and the ongoing development of the IFRS Taxonomy—our classification system for electronic tagging of IFRS financial statements. The first two cover the content of financial statements and how that content is organised, while the third—the Taxonomy—is about how the content is delivered.

The Disclosure Initiative is a portfolio of projects to improve disclosures in financial statements. We have worked on disclosures since 2013, and 2017 will see a couple of key developments, including the publication of the Principles of Disclosure Discussion Paper. This is the first step towards what may become either amendments to IAS 1, the presentation Standard, or an entirely new disclosure Standard. The Discussion Paper seeks stakeholders' feedback on the Board's preliminary views on principles governing what, how and where companies should disclose information in the financial statements.



Another element of the Disclosure Initiative that will be completed in 2017 is a Materiality Practice Statement. This is not mandatory guidance but a helpful tool that will support entities in their judgement about what is material information.

Finally, the Primary Financial Statements project aims to improve the organisation of statements of financial performance and cash flows. The focus during 2017 will be to determine the scope of this project and do preparatory work for our first public consultation, which we expect to take place after 2017.

## Research programme

Some of the above projects are currently part of our research programme. We introduced this programme after our agenda consultation in 2011; it is an essential part of our work. Before a project moves to the actual standard-setting phase, we use the research phase to ensure the following three questions can be answered positively:

- Do we have an accounting problem on our hands?
- Is the problem so important that standard-setting is required?
- Can a feasible solution be found?

Feedback to the 2015 *Agenda Consultation* showed that there is much support for this programme from our constituents. However, the consultation also made it clear that the programme was perhaps a bit too ambitious. We have therefore created a more focused programme by roughly halving the number of projects in the programme that we work on. This will limit the burden on our stakeholders and also contribute to the timeliness of our delivery.

Another key project in our research programme, which we made good progress on in 2016, is Financial Instruments with Characteristics of Equity, or FICE. We intend to publish a Discussion Paper on this topic in 2017.

## Supporting implementation

As we complete the big projects and progress our research projects, we continue to support implementation of newly issued Standards. During 2016, we focused our efforts on supporting implementation of IFRS 9, IFRS 15 and IFRS 16. We have created dedicated implementation pages on our website for all these Standards, where all the educational and implementation materials are made available.

During 2016, we also delivered a conference specifically on IFRS 16 *Leases* and spoke at many other events and conferences about both this Standard and the other big Standards that are currently in the implementation phase.

## People

Ian Mackintosh, Patrick Finnegan and Philippe Danjou left the Board in 2016. I would like to thank them for their support and invaluable contributions to the boardroom discussions.

I started my second five-year term as Chair of the Board in July and Sue Lloyd was appointed as the new Vice Chair, following in Ian's footsteps. Sue has also become the new Chair of the IFRS Interpretations Committee, following the sad and unexpected passing of Wayne Upton in September 2016. Having a Board member chair the Interpretations Committee will ensure good communication between the Committee and the Board.

Finally, I'd like to express my thanks to my fellow Board members, to our staff and to all our stakeholders around the world for their hard work and ongoing engagement. Our continued progress would not be possible without their help.

Hans Hoogervorst  
Chair  
International Accounting Standards Board

# Members of the International Accounting Standards Board

**Hans Hoogervorst, Chair**

Former Chairman, Netherlands Authority for the Financial Market (AFM)  
(The Netherlands)

Second term expires: 30 June 2021

**Sue Lloyd, Vice-Chair**

Former Senior Director of Technical Activities, IASB; former accounting specialist, Goldman Sachs  
(New Zealand)

First term expires: 31 December 2018

## Africa

**Darrel Scott**

(South Africa)

Second term expires:  
30 September 2020

## Asia-Oceania

**Takatsugu (Tak) Ochi**

(Japan)

Second term expires:  
30 June 2019

**Chungwoo Suh**

(Republic of Korea)

First term expires:  
30 June 2017

**Wei-Guo Zhang**

(People's Republic of China)

Second term expires:  
30 June 2017

## Europe

**Stephen Cooper**

(United Kingdom)

Second term expires:  
31 July 2017

**Martin Edelmann**

(Germany)

First term expires:  
30 June 2017

## Americas

**Gary Kabureck**

(United States)

First term expires:  
30 June 2017

**Amaro Luiz de Oliveira Gomes**

(Brazil)

Second term expires:  
30 June 2019

**Mary Tokar**

(United States)

First term expires:  
30 June 2017

## Retired in 2016

**Ian Mackintosh,**

**Vice-Chair**

(Australasia)

**Philippe Danjou**

(France)

**Patrick Finnegan**

(United States)





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# Report of the Chair of the Monitoring Board



JEAN-PAUL SERVAIS  
CHAIR  
IFRS FOUNDATION  
MONITORING BOARD

I was recently honoured in March 2017 to be appointed as Chair of the Monitoring Board. I would like to acknowledge the immense contribution of my predecessors, Mr. Ryozo Himino and Mr. Masamichi Kono, and express my gratitude for their thoughtful leadership and dedication.

The IFRS Foundation Monitoring Board consists of capital markets authorities responsible for setting the form and content of financial reporting that discharge their mandates regarding investor protection, market integrity and capital formation through the IFRS Foundation. The Monitoring Board is responsible for monitoring and reinforcing the public interest oversight function of the organisation and promoting the continued development of IFRS Standards as a high-quality set of global accounting standards.

The Monitoring Board was formed in 2009 and comprises the representatives of the Board of the International Organisation of Securities Commissions (IOSCO) and the IOSCO Growth and Emerging Markets Committee, the Brazilian Securities Commission, the European Commission, the Financial Services Agency of Japan, the Financial Services Commission of Korea and the US Securities and Exchange Commission. The Basel Committee on Banking Supervision participates in the Monitoring Board as an observer.

In August 2016, the Monitoring Board announced and welcomed the addition of the Ministry of Finance of the People's Republic of China as a new member.

Our main responsibilities include:

- (a) to participate in the selection and approval of the Trustees of the IFRS Foundation (the Trustees);
- (b) to advise the Trustees with respect to the fulfilment of their responsibilities, in particular with respect to regulatory, legal and policy developments that are pertinent to the IFRS Foundation's oversight of the International Accounting Standards Board and appropriate sources of IFRS Foundation funding; and
- (c) to discuss issues and share views relating to IFRS Standards, as well as regulatory and market developments affecting the development and functioning of these Standards.

## Governance enhancements

Given the efforts and developments towards global adoption of IFRS Standards in the last decade, the stakeholder community has significantly grown to over 135 jurisdictions that require or permit IFRS Standards for publicly accountable entities. The Monitoring Board welcomed the improvements and enhancements introduced by the Trustees' Review of Structure and Effectiveness finalised in 2016, which resulted in a revised *Constitution* for the IFRS Foundation.

The Trustees successfully completed their five-year statutory review which resulted in a number of enhancements to the organisation. I believe that these enhancements will better equip the IFRS Foundation to deal with many of the challenges ahead and to support the global accounting stakeholders.

The Monitoring Board also appreciated the Trustees' conclusions from this exercise and the IFRS Foundation's reaffirmed commitment to strengthen the relevance of IFRS Standards and the increased emphasis to support consistent application of the Standards, including deepening relationships with securities regulators, national standard-setters and international financial institutions.

The Monitoring Board has also made important progress in 2016. We have introduced a number of organisational enhancements, such as the setting up of a deputies working group, designed to increase the working level discussions to improve our monitoring activities and allow us to discharge our mission more effectively. I wish to thank the deputies working group for its valuable contribution to our work.

In an effort to enhance the Monitoring Board's transparency the Monitoring Board made public its work plan for 2016, including information on the activities it plans to conduct in the near term and its areas of focus. The 2017 work plan will be published shortly and we intend to update our plan periodically.

The Monitoring Board plans to conduct its review of existing members in 2017.

We remain committed to ensuring that governance framework remains in the public interest.

## Challenges ahead

The G20 and the Financial Stability Board have recurrently reiterated their support for the objective of achieving a single set of high-quality global accounting standards and emphasised the need to continue to promote consistent application of standards.

Currently, we are in the countdown to the effective date of implementation of a number of critical and complex IFRS Standards. IFRS 9 on financial instruments and IFRS 15 on revenue will become effective in a few months and IFRS 16 on leases will become effective in early 2019.

Timely and consistent application of these Standards is, and will be, challenging. The impact of these changes will cut across the various players in the financial reporting chain, ranging from preparers and issuers, their respective audit committees and auditors and users, analysts and of course, regulators, and significant efforts will be needed to ensure a successful implementation of these Standards.

In this respect, the strategic orientation of the IFRS Foundation for 2017 to support the consistent application and implementation of the Standards globally, including an effective interpretation process within the IFRS Foundation, is to be welcomed.

As a Monitoring Board we plan to intensify our focus on accounting matters of broad public interest. We have engaged in a constructive dialogue with the Trustees on a number of relevant matters such as effect analysis for new IFRS Standards, challenges posed by technological developments and digital reporting, developments on IFRS 17 on insurance contracts and due process oversight.

In my new role as Chair of the Monitoring Board, I look forward to delivering our oversight mission and working together with the IFRS Foundation and other stakeholders to accomplish our goal of high-quality financial information that underpins investor confidence, and transparent capital markets that promote financial stability and that foster long-term financial stability in the global economy.



Jean-Paul Servais  
Chair  
IFRS Foundation Monitoring Board



# Members of the Monitoring Board

At 31 December 2016

## Monitoring Board members

Ryozo Himino (Chair)<sup>1</sup>  
Vice-Minister for International Affairs of the Financial Services Agency, Japan

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Mary Jo White  
Chairman of the Securities and Exchange Commission, United States

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Valdis Dombrovskis  
Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, European Commission

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Jean-Paul Servais  
Representative of the IOSCO Board (Vice-Chairman), Chairman of the Financial Services and Markets Authority, Belgium

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Marcos Ayerra  
Representative of the IOSCO Growth and Emerging Markets Committee (Vice-Chairman), Chairman of the Comisión Nacional de Valores, Argentina

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Leonardo Porciúncula Gomes Pereira  
Chairman of the Brazilian Securities Commission, Brazil

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Jong-Yong Yim  
Chairman of the Financial Services Commission, Republic of Korea

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Yu Weipei  
Vice-Minister of the Ministry of Finance, People's Republic of China

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## Observers

Fernando Vargas  
Representative of the Basel Committee on Banking Supervision

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<sup>1</sup> Jean-Paul Servais succeeded Ryozo Himino as Chair on 3 February 2017.

# Report of the Due Process Oversight Committee



JAMES (JIM) QUIGLEY  
CHAIR  
DUE PROCESS OVERSIGHT  
COMMITTEE

This is my second annual report as Chair of the Trustees' Due Process Oversight Committee (DPOC) and I am pleased to report on a significant year for the Committee, not only in terms of the work that we do, but also of the way that we do it. Notably, in October 2016 to further the DPOC's and the Trustees' commitment to transparency, the DPOC held its first public meeting. All meetings of the DPOC will now be held in public, subject to the possibility of a private executive session, and we welcome public attendance at the meetings. The meetings are now publicly available on our website. We believe these innovations will improve understanding of the DPOC's work and of the role that the Trustees play in fulfilling their oversight role in accordance with the IFRS Foundation *Constitution*.

## Report on progress against priorities for 2016

In my report for 2015 I set out the DPOC's priorities for 2016:

- 1. Work in close cooperation with the International Accounting Standards Board (the Board) to ensure that projects due for completion in 2016 follow the Board'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 consider the Board's proposals for its agenda in the light of feedback to its 2015 Agenda Consultation.**

The DPOC received regular reports on the due process status of each major Board Work Plan project in 2016 and focused on confirming the projects had followed steps outlined in the *Due Process Handbook*. The DPOC reviewed all work plan projects—including major projects such as insurance contracts. In all cases, the DPOC was satisfied that due process requirements had been met. The DPOC will continue to review projects yet to be completed.

As part of confirming that the Board had followed all necessary due process steps and that the DPOC's review was complete, the DPOC reviewed the insurance contracts project life cycle. We had regard to the controversial nature of the Standard and considered the length of the process; the steps taken by the Board to deliberate the challenging issues raised during consultation; and the Effects Analysis.

The Board completed its agenda consultation—an essential element of setting priorities—and published the resulting work plan in November. The *Due Process Handbook* has explicit requirements for agenda consultation procedures and the role of the DPOC, which focus on the rigour and transparency of consultation and the way the Board responds to input. The DPOC received a presentation on the agenda consultation that focused principally on outreach activities and the way the Board assessed which issues should go onto the agenda. The DPOC was satisfied that the due process steps had been followed.

- 2. The DPOC will monitor the Board's due process to ensure that it continues to reflect best practice and will benchmark the Board's approach against relevant frameworks and similar organisations.**

The DPOC benchmarked the IFRS Foundation's due process against several international due process guidelines. First we measured the IFRS Foundation against the International Corporate Governance Network's *Global Principles*, International Organisation of Securities Commissions' *Objectives and Principles of Securities Regulation*, and the Organisation for Economic Cooperation and Development's *The Governance of Regulators*, in the Best Practice Principles for Regulatory Policy series. The conclusion was that the IFRS Foundation was consistent with principles outlined by those organisations.

The second exercise benchmarked the due process against due process requirements of 15 national and global standard-setters and regulators and concluded that the IFRS Foundation met the highest levels of due process in all categories.



This was a valuable exercise for the DPOC, both in assessing whether we are delivering an appropriate level of oversight and governance and in identifying a network of peers against whom we can assess our performance. The data we gathered will be valuable for developing success measures for the IFRS Foundation.

**3. Subject to the outcome of the consultation, the DPOC will finalise proposed changes to the IFRS Taxonomy due process and update the Due Process Handbook.**

The DPOC reviewed comments from stakeholders on proposed revisions to due process for the IFRS Taxonomy and discussed the need to guard against the IFRS Taxonomy restricting the principle-based approach to standard-setting. The DPOC decided that the IFRS Taxonomy due process should be incorporated as an annex into the *Due Process Handbook* and that the existing *XBRL Handbook* should be withdrawn.

**4. The DPOC will continue to monitor the Board's implementation of the recommendations of the Effects Analysis Consultative Group (EACG) which will further embed effects-analysis within the organisation's due process**

The DPOC received two presentations on effects analysis. The first presentation showed progress on implementing the recommendations of the EACG (published in November 2014). The second presentation showed the completion of due process on the leases Standard, including an explanation of the work done in effects analysis and an analysis that set out how the EACG's recommendations had been reflected in the Effects Analysis IFRS 16 *Leases*.

The Committee concluded that due process requirements had been satisfied and that the discipline of formally assessing the Standard's expected effects benefitted standard-setting.

**5. The DPOC will continue to review the technical staff's annual review of consultative groups' effectiveness to assess whether each serves the function for which it was established and whether the membership should remain unchanged.**

The *Due Process Handbook* requires the DPOC to review all consultative groups each year. The DPOC considered the latest review at its meeting in October 2016 and accepted the technical staff's assessment and recommendations. This included a recommendation to disband the Valuation Experts Group and the Insurance Working Group (following issuance of the Insurance Contracts Standard).

### Priorities for 2017

The DPOC will continue to work in close cooperation with the Board to ensure that projects due for completion in 2017 satisfy the IFRS Foundation's due process requirements. The DPOC will review the due process followed for each major new standard, and will continue to oversee the due process of developing the IFRS Taxonomy as appropriate.

The DPOC will monitor the Board's due process for adding issues to the Board's work programme, and will consider the due process on the Board's research programme agenda as well as on issues taken on by the IFRS Interpretations Committee, consistent with the requirements of the *Due Process Handbook*.

The DPOC will continue to monitor the Board's implementation of the recommendations of the EACG, and the steps it is taking to embed further effects analyses within the organisation's due process.

The DPOC will continue to review the technical staff's annual review of consultative groups' effectiveness to assess whether each serves the function for which it was established and whether the membership should remain unchanged.

The DPOC is supported by a Trustee staff resource, the Director for Trustee Activities, who is independent of the technical staff. David Loweth retired from that role in July 2016 and was succeeded by Richard Thorpe. I would like to record the DPOC's appreciation of David for his sterling support for and engagement with our work.

James Quigley  
Chair  
Due Process Oversight Committee

# Report of the Chair of the IFRS Advisory Council



JOANNA PERRY  
CHAIR  
IFRS ADVISORY COUNCIL

The IFRS Advisory Council (the Council) is the formal advisory body to the International Accounting Standards Board (the Board) and the Trustees of the IFRS Foundation. The Council provides broad strategic advice to both the Board and the Trustees.

At the beginning of the year, the Council welcomed eight new members.

During three meetings in 2016, the Council provided advice on a range of strategic matters. The Council devoted significant time to, and provided advice on, the feedback received on the two main consultation documents: the *Request for Views on the IASB 2015 Agenda Consultation* and the *Trustees' Review of Structure and Effectiveness: Feedback Statement on the July 2015 Request for Views*.

Some common themes emerged from the 2016 meetings, namely:

- the future of corporate reporting and the role of financial reporting;
- the clarity of language, particularly for those for whom English is not their first language;
- the implications of technological developments and their relevance to standard-setting; and
- the concept of Better Communication.

Other topics discussed included:

## *The future of corporate reporting*

The Council received presentations, held discussions and provided advice on new trends in corporate reporting. While acknowledging that we are at the beginning of the journey to the future of corporate reporting, the Council supported the Board's further involvement in this work. The Council noted the intention of the IFRS Foundation and the Board to dedicate a resource to this area.

## *IFRS Foundation Strategy*

The Council considered, discussed and provided advice about the IFRS Foundation strategy. In particular, the Council considered and provided advice on potential key performance indicators that could be used by the IFRS Foundation to monitor some parts of its strategic work plan. The Council gave consistent messages that the IFRS Foundation should focus on the quality of standard-setting and on outreach.

## *IFRS Foundation social media strategy*

The Council received a presentation on the IFRS Foundation social media strategy and generally supported expanding the IFRS Foundation social media activities, emphasising the importance of integrating the strategy with overall communications and organisation-wide strategic objectives.

## *Brexit*

The Council considered the implications of the United Kingdom leaving the European Union. The Council members provided the advice that although there is a lot of uncertainty there are no immediate matters that the IFRS Foundation needs to address. The Council members affirmed that, in their view, the predominant concern is to reassure staff about the uncertainties.

## *Members Communications*

Council members continued to share relevant activities from their member organisations with the Council.

## *Disclosure Initiative and the scope of the Primary Financial Statements Research Project*

The Council considered both the Disclosure Initiative and the Primary Financial Statements Research Project. Members of Council shared many thoughts and recommendations about the perceived conflicts between comparability and flexibility; Council members also gave their views about alternative performance measures.

## *Technological disruption*

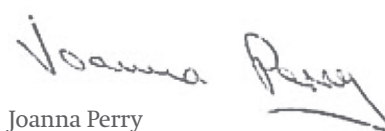
The Council received an external presentation on the impact technological disruption may have on the preparation and use of accounting standards and how the disruption and its consequences may affect the IFRS Foundation.

## *Technical agenda*

The Council received regular updates on the progress of the technical agenda.

As a result of discussions and consultation during the year, the Trustees decided the Council will meet twice rather than three times a year, beginning in 2017.

I thank all Council members for their contribution in 2016. I acknowledge those who completed their terms at the end of 2016 and thank them for their support of the IFRS Foundation. I would also like to thank the IFRS Foundation staff who supported the operations of the Council.



Joanna Perry  
Chair  
IFRS Advisory Council



# Members of the IFRS Advisory Council

At 31 December 2016

Represented body	Represented by	Occupation
Chair, IFRS Advisory Council	Joanna Perry	Non-Executive Director
Vice-Chair, IFRS Advisory Council, represents Institute of International Finance	Gavin Francis	Group Chief Accounting Officer, HSBC Holdings plc
Vice-Chair, IFRS Advisory Council, represents Securities Analysts Association of Japan	Goro Kumagai	Senior Fellow of the Strategic Research Department
Association for the participation of French companies in international accounting harmonisation; Mouvement des Entreprises de France	Pascale Déprez*	Group Policy Director, Saint Gobain Group
Basel Committee on Banking Supervision	William Coen	Secretary General
BDO	Dr Jens Freiberg	Head of International Financial Reporting, BDO AG Wirtschaftsprüfungsgesellschaft
Brazilian Development Bank	Vania Maria Da Costa Borgerth	Special Advisor for Corporate Reporting and Corporate Governance to the CEO
Capital Markets Board of Turkey	Uğur Yaylaönü	Head of the Accounting Standards Department
CFA Institute	Vincent Papa*	Director, Financial Reporting Policy
Corporate Reporting Users Forum	Dr Lothar Weniger	ALIAG, Usingen, Owner
Council of Institutional Investors	Anne Simpson	Investment Director, Global Governance, CalPERS
Deloitte & Touche	Stephen Taylor	Audit Partner
Emirates NBD	Surya Subramanian	Group Chief Financial Officer
EY	Danita Ostling*	Partner
European Accounting Association	Professor Ann Jorissen	Professor of Accounting, University of Antwerp, Antwerp Management School, Past President of the European Accounting Association
European Central Bank	Jürgen Kirchof	Principal Finance Expert in the Financial Reporting and Policy Division, ECB
European Financial Reporting Advisory Group	Jean-Paul Gauzès	President
European Round Table of Industrialists and European Issuers	Robert Koethner	Chief Accounting Officer, Daimler AG
European Securities Markets Authority	Roxana Damianov	Team Leader of the Corporate Reporting Team
Fédération Internationale des Experts-Comptables Francophones	Aziz Dieye	Founder of Cabinet Aziz Dieye Senegal and the Centre Africain d'Etudes Supérieures en Gestion Management High School in Dakar
Federation of Accounting Professions, Thailand	Prasan Chuaphanich	President
Financial Executives International	Rudolf Bless	Chief Accounting Officer, Bank of America
Financial Reporting Standards Council of South Africa	Garth Coppin	Member
Grant Thornton	Jake Green	Director of Financial Reporting, Grant Thornton UK LLP
UK Financial Reporting Council	Paul George	Executive Director of Corporate Reporting and Governance
HUB Global Insurance Group	Lynda Sullivan	EVP and Group Chief Accounting Officer, Manulife Financial





Represented body	Represented by	Occupation
Insurance Europe	Olav Jones	Deputy Director General
International Actuarial Association (IAA)	Micheline Dionne	Member of the IAA Executive Committee
International Association for Accounting Education & Research	Holger Daske	Professor and Chair of Accounting and Capital Markets, University of Mannheim
International Association of Insurance Supervisors	Markus Grund*	Chief Accountant, Federal Financial Supervisory Authority, Germany
International Co-operative Alliance	Isabelle Ferrand	Chief Financial Officer, Confédération Nationale du Credit Mutuel
International Corporate Governance Network	Anne Molyneux	Director, CS International and ICGN member
International Federation of Accountants	John Stanford	Technical Director of the International Public Sector Accounting Standards Board
International Monetary Fund	Ghiath Shabsigh	Assistant Director, Monetary and Capital Markets Department
International Organisation of Securities Commissions	Ton Meershoek	Technical Expert in Financial Reporting at the Netherlands Authority for the Financial Markets
	Areewan Aimdilokwong	Specialist in the Accounting Supervision Department, Securities & Exchange Commission of Thailand
Investment Company Institute	Gregory Smith	Director of Fund Accounting and Compliance
Investment Association	Colin McDonald	Director of Accounting Policy at BlackRock
Korea Accounting Standards Board	Dr Steve Lim*	Advisor, Korea Accounting Standards Board & Professor of Accounting, University of Seoul
KPMG	Andrew Marshall	Senior Technical Partner
Ministry of Finance, People's Republic of China	Yibin Gao	Director General of the Accounting Regulatory Department
National Accounting Institute	Shizhong Huang*	Vice-President and Professor, Xiamen National Accounting Institute
National Organisation for Financial Accounting and Reporting Standards	Igor Kozyrev	Chairman of the Management Board of NOFA, Deputy Chief Accountant – Deputy Vice-President, Head of External Reporting Department, LUKOIL
Nippon Keidanren (Japan)	Hidetake Ishihara	Executive Officer, Head of Accounting & Finance Division, Nippon Steel & Sumitomo Metal Corporation
PricewaterhouseCoopers	Paul Fitzsimon	Partner, Global Head of Reporting and Chief Accountant
World Bank	Pam O'Connell	Director and Chief Accountant

#### Observer organisations

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission

\* stepped down in 2016



# 3. Technical Activities and Stakeholder Engagement

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# Technical activities and development of IFRS Standards

Project	Objective
<b>Standard-setting and related projects</b>	
<b>Insurance Contracts</b> IFRS 17 <i>Insurance Contracts</i> is expected to be issued in May 2017.	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.
<b>Disclosure Initiative—Materiality Practice Statement</b> The Practice Statement is expected to be published in 2017.	To provide guidance on how to apply judgement in deciding what information is material in preparing IFRS financial statements.
<b>Disclosure Initiative—Definition of Material</b> An Exposure Draft is expected to be published in 2017.	To clarify the definition of what information is material in preparing financial statements.
<b>Rate-regulated Activities</b> A Discussion Paper is expected to be published in 2017.	To consider whether (or how) IFRS Standards should be amended to reflect the effects of rate regulation.
<b>Conceptual Framework</b> The revised <i>Conceptual Framework for Financial Reporting</i> is expected to be issued in 2017.	To provide the Board with a more complete, clear and updated set of concepts to use when it develops or revises IFRS Standards.
<b>Research projects</b>	
The purpose of the research programme is to collect evidence on the nature and extent of perceived financial reporting problems and assess ways to improve financial reporting to help the Board decide whether it should start a standard-setting project.	
<b>Disclosure Initiative: Principles of Disclosure</b> A Discussion Paper was published in March 2017.	To explore possible principles of disclosure that could help the Board develop better disclosure requirements and help preparers communicate information more effectively with users of financial statements.
<b>Primary Financial Statements</b> The Board commenced its technical discussions in 2017.	To examine targeted improvements to the structure and content of primary financial statements, with a focus on statement(s) of financial performance.
<b>Business Combinations under Common Control</b> The Board's work on this project is expected to recommence in 2017.	To determine whether diversity in accounting for business combinations under common control can be reduced; currently IFRS Standards do not address such transactions, including some transactions relating to initial public offerings.
<b>Dynamic Risk Management</b> The Board recommended its technical discussions in 2017.	To assess whether the Board can develop an approach to reporting dynamic risk management activities. The Board received diverse views on the Discussion Paper <i>Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging</i> published in 2014.
<b>Financial Instruments with Characteristics of Equity</b> A Discussion Paper is expected to be published in 2017.	To investigate whether improvements can be made in how companies classify financial instruments that have characteristics of both liabilities and equity. The project will examine presentation and disclosure requirements, as well as classification.
<b>Goodwill and Impairment</b> The Board has continued its technical discussions in 2017.	To assess whether, and if so how, to address issues raised in the post-implementation review of IFRS 3 <i>Business Combinations</i> . Issues include identifying and measuring intangible assets acquired in a business combination; subsequent accounting for goodwill; and impairment testing of goodwill and of other non-current, non-financial assets.

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Project	Objective
<b>Discount Rates</b> The research is complete. A summary will be published in 2017.	To review discount rate requirements in IFRS Standards to identify whether there are any inconsistencies the Board should consider addressing.
<b>Share-based Payments</b> The research is complete. A summary will be published in 2017.	To identify the most common areas of complexity in accounting for share-based payments and their main causes, to assess whether the Board should consider addressing them.
<b>Narrow-scope amendments and IFRIC Interpretations</b>	
<b>Accounting Policies and Accounting Estimates</b> An Exposure Draft is expected to be published in 2017.	To clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate.
<b>Classification of Liabilities</b> The Board is expected to recommence its technical discussions in 2017.	To clarify when rights to defer settlement affect the classification of liabilities as current or non-current.
<b>Definition of a Business</b> An amendment to the Standard is expected to be issued by early 2018.	To clarify how an entity determines whether what it has acquired is a business or a group of assets.
<b>Previously Held Interests in a Joint Operation</b> An amendment to the Standard is expected to be issued by early 2017.	To clarify how an entity accounts for previously held interests when it obtains control or joint control of a business that is a joint operation.
<b>Improvements to IFRS 8 Operating Segments</b> An Exposure Draft was published in March 2017.	To clarify IFRS 8 <i>Operating Segments</i> with respect to issues concerning the definition and role of the chief operating decision maker. These issues were identified by a post-implementation review.
<b>Plan Amendment, Curtailment or Settlement / Availability of a Refund</b> An amendment to the Standard is expected to be issued in 2017.	To clarify: <ol style="list-style-type: none"> <li>the accounting when a plan amendment, curtailment or settlement occurs; and</li> <li>the availability of a refund of a surplus from a defined benefit plan when independent trustees or other parties have particular powers.</li> </ol>
<b>Property, Plant and Equipment—Proceeds before Intended Use</b> An Exposure Draft is expected to be published in the first half of 2017.	To address diversity relating to proceeds from selling items produced while an item of property, plant and equipment is being developed for use.
<b>Prepayment Features with Negative Compensation</b> An Exposure Draft is expected to be published in the first half of 2017.	To examine whether amortised cost measurement would provide relevant and useful information for some financial instruments. They contain prepayment options that provide compensation to the party triggering prepayment.
<b>Uncertainty over Income Tax Treatments (IFRIC® Interpretation)</b> The IFRIC Interpretation is expected to be issued in the first half of 2017.	To provide requirements on how to recognise and measure current and deferred tax liabilities when there is uncertainty over income tax treatments.
<b>Annual Improvements 2015–2017</b> An Exposure Draft was published in January 2017.	To deal efficiently with a collection of unrelated minor amendments to IFRS Standards.

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Project	Objective	
<b>IFRS Taxonomy</b>		
The IFRS Taxonomy aims to provide a tool to help entities digitally report IFRS financial statements prepared using IFRS Standards or the IFRS for SMEs <sup>®</sup> Standard). The taxonomy is a classified scheme of IFRS presentation and disclosure requirements. It is the only official representation of those requirements in a taxonomy form.		
<b>Common Practice Taxonomy Update</b> An Exposure Draft was published in December 2016.	To add to the IFRS Taxonomy disclosures that are common practice in agriculture, leisure, franchises, retail and financial institutions.	
<b>IFRS 17 Insurance Contracts</b> The proposed taxonomy update is expected to be published with IFRS 17 <i>Insurance Contracts</i> .	To update the taxonomy for the presentation and disclosure requirements of the new insurance contracts standard.	
<b>Post-implementation Reviews</b>		
In 2016, the staff conducted research for Phase 1 of the Post-implementation Review of IFRS 13 <i>Fair Value Measurement</i> . The Board expects to publish a request for information on this topic in the first half of 2017.		
<b>Issued in 2016</b>	<b>Issued date</b>	<b>Effective date</b>
<b>Standard-setting and related projects</b>		
Clarifications to IFRS 15 <i>Revenue from Contracts with Customers</i>	April 2016	1 January 2018
IFRS 16 <i>Leases</i>	January 2016	1 January 2019
<b>Narrow-scope amendments</b>		
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	January 2016	1 January 2017
Disclosure Initiative (Amendments to IAS 7)	January 2016	1 January 2017
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	June 2016	1 January 2018
Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (Amendments to IFRS 4)	September 2016	1 January 2018
<i>Annual Improvements 2014–2016:</i>		
IFRS 12 <i>Disclosure of Interests in Other Entities</i> : Clarification of the scope of the Standard	December 2016	1 January 2017
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> : Deletion of short-term exemptions for first-time adopters	December 2016	1 January 2018
IAS 28 <i>Investments in Associates and Joint Ventures</i> : Measuring an associate or joint venture at fair value	December 2016	1 January 2018
Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)	December 2016	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	December 2016	1 January 2018
<b>IFRS Taxonomy</b>		
Using the IFRS Taxonomy: <i>Guide to Common Practice Content</i>	August 2016	–
IFRS Taxonomy Update on Amendments to IFRS 4	December 2016	–

## In Memoriam



Wayne Upton  
(1950–2016)

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The staff and the Trustees of the IFRS Foundation and the International Accounting Standards Board were deeply saddened by the unexpected passing of Wayne Upton on 12 September 2016.

Wayne joined the IASB staff as Research Director in 2001, looking after a range of technical activities. In 2008, he became Director of International Activities, where he played an important role in supporting jurisdictions around the world with their transition to IFRS Standards.

From 2011, Wayne was the Chair of the IFRS Interpretations Committee, the interpretative body of the IFRS Foundation. He also chaired the Emerging Economies Group and coordinated the Islamic Finance Consultative Group.

Wayne was considered one of the founding fathers of the International Accounting Standards Board, having been with the organisation since the beginning. He made a huge contribution both to this organisation and to standard-setting more generally.

Wayne is sorely missed by all his colleagues at the IFRS Foundation and the International Accounting Standards Board and we offer our sympathy to Wayne's wife, family and friends.



# Report of the IFRS Interpretations Committee



SUE LLOYD  
CHAIR  
IFRS INTERPRETATIONS  
COMMITTEE

I was appointed Chair of the IFRS Interpretations Committee (the Committee) in February 2017, following the untimely death of Wayne Upton, who chaired the Committee from 2011 until September 2016. Tribute is paid to Wayne on the preceding page, but I would like to record my own appreciation of Wayne's contribution to the IFRS Foundation over many years.

I took on the role of Chair because of my strongly held view about the importance of the Committee's work in supporting the implementation and application of IFRS Standards. It is also why I have acted as one of the International Accounting Standards Board (the Board) observers to the Committee since my appointment to the Board.

The Committee's main role in supporting IFRS Standards is to respond to application questions from stakeholders through a transparent and accountable process. The Committee had a busy year, considering 33 different application questions submitted by stakeholders through the Interpretations Committee website. Of course, the Committee is not the only way that we respond to questions about our Standards; the report

on page 32 explains our other activities which support stakeholders implementing and applying the Standards.

Often the Committee responds to a stakeholder's question by publishing an agenda decision with explanatory material. In such cases, the Committee concludes that the principles and requirements in IFRS Standards provide an adequate basis for answering the question, so it need not be added to the standard-setting agenda. Nonetheless, these agenda decisions are designed to assist those applying IFRS Standards by explaining how an entity applies the relevant principles and requirements of IFRS Standards in the specific circumstances in the question. They are published in an IFRIC Update, made available in a dedicated section of our website and also incorporated in the relevant Standards in *A Guide through IFRS Standards* (Green Book).

The Committee published 13 agenda decisions with explanatory material during the year. The Committee also exposed six such agenda decisions for comment, including one for which the Committee swiftly developed its guidance to address concerns about diversity possibly emerging among investment entities as they begin to apply new requirements in IFRS 10 *Consolidated Financial Statements*.

In other cases, the Committee concludes that responding to a question requires adding to or changing IFRS Standards, typically in IFRIC® Interpretations or narrow-scope amendments. During the year, the Committee issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration\** and finalised its decision-making on an interpretation to be issued in 2017 relating to uncertain tax treatments. The Committee made recommendations to the Board for amendments to IAS 40 *Investment Property* to clarify the treatment of transfers of investment property.

The Committee also developed four draft amendments that were either exposed by the Board in 2016 or are expected to be exposed in 2017.

Although the Committee responds to most of the questions it receives, it sometimes concludes it is impossible to do so efficiently and effectively within the confines of existing Standards. In such cases, its published agenda decision explains the reasons for not adding the question to its agenda. The matter is referred to the Board, and the Committee's work then serves as an important input to the Board's agenda setting considerations. For instance, in 2016 the Committee concluded that a question about variable payments should be considered more broadly than through a narrow-scope amendment to the Standards. Following the Board's Agenda Consultation, the topic is now on the pipeline research agenda.

I end by thanking the national standard-setters, securities regulators and accounting firms that often share their experiences on the questions we receive before they are discussed with the Committee. These stakeholders' insights are important inputs into the Committee's discussions. I also thank all Committee members and observers for their contributions in 2016 to the important work of supporting IFRS Standards. In particular, I acknowledge Feilong Li, Charlotte Pissaridou and Andrew Watchman who left during the year, having served since 2010, 2011 and 2013 respectively. And finally, I thank our implementation staff team for their hard work in supporting the Committee.

Sue Lloyd  
Chair  
IFRS Interpretations Committee





# Members of the IFRS Interpretations Committee

At 31 December 2016

Name and affiliation	Term Expires
<b>Andrew Buchanan</b> Global Head of IFRS BDO International United Kingdom	30 June 2019
<b>Bertrand Perrin</b> Director, Accounting Standards and Special Projects Vivendi France	30 June 2019
<b>Bonnie Van Etten*</b> NAFTA Chief Accounting Officer Fiat Chrysler Automobiles United States	30 June 2017
<b>Bruce Mackenzie*</b> Managing Director W Consulting International South Africa	30 June 2017
<b>Carl Douglas*</b> Corporate Controller CCR Group Brazil	30 June 2017
<b>John O'Grady</b> Asia Pacific Professional Practice Director Ernst & Young Australia	30 June 2018
<b>Jongsoo Han</b> Member of the Korean Accounting Standards Board Korea	30 June 2018
<b>Robert Uhl</b> Global IFRS Leadership Team Deloitte & Touche LLP United States	30 June 2018
<b>Dr Martin Schloemer</b> Head of Accounting Principles and Policies Bayer AG Germany	30 June 2019
<b>Mikael Hagström*</b> Senior Vice President, Head of Corporate Financial Reporting AB Volvo Sweden	30 June 2017

Name and affiliation	Term Expires
<b>Reinhard Dotzlaw</b> Global IFRS Panel KPMG Canada	30 June 2019
<b>Sandra Peters</b> Head, Global Financial Reporting Policy CFA Institute United States	30 June 2018
<b>Tony de Bell</b> Global Accounting Consulting Services Leadership Team PwC United Kingdom	30 June 2019
<b>Yang Zheng</b> Vice-President and Chief Financial Officer New China Life Insurance Company People's Republic of China	30 June 2019

## Interpretations Committee members retired during 2016

**Andrew Watchman**  
Global Head of IFRS  
Grant Thornton International Limited  
United Kingdom

**Charlotte Pissaridou**  
Managing Director  
Goldman Sachs  
United Kingdom

**Feilong Li**  
Executive Director, EVP & CFO  
China Oil Services Limited  
China

## Non-voting Chair

**Sue Lloyd**  
Chair, IFRS Interpretations Committee

\* reappointed until 30 June 2020



# Supporting implementation and application of IFRS Standards

In addition to developing new IFRS Standards, the IFRS Foundation undertakes various activities to support those who implement and apply the Standards. Although not responsible for implementation and application, the IFRS Foundation recognises that the quality of implementation and application of the Standards affects the benefits that investors receive from having a single set of global standards.

## Supporting implementation of newly issued Standards

In recent years, the International Accounting Standards Board (the Board) has been more active in supporting Standards after they are issued but before they become effective. In this implementation period, the Board undertakes activities that help stakeholders better understand the principles and requirements in new Standards. Such activities ensure greater consistency in stakeholders' understanding of new Standards as practice is developing, which supports their consistent application.



As an example, some of these tools were employed during the year in supporting IFRS 16 *Leases*, which was issued in January 2016. These included:

Online	Dedicated webpage for leases implementation	40,000 views to date
	Live webcast and Q&A with staff	4,000 listens to date
	Four pre-recorded webcasts on different aspects of the Standard	5,500 listens to date
Print	Three articles written by Board members	Appeared in international publications
Face to face	Two IFRS 16 implementation conferences	c. 100 attendees each
	Board members and senior staff attended several other conferences to speak on the topic	

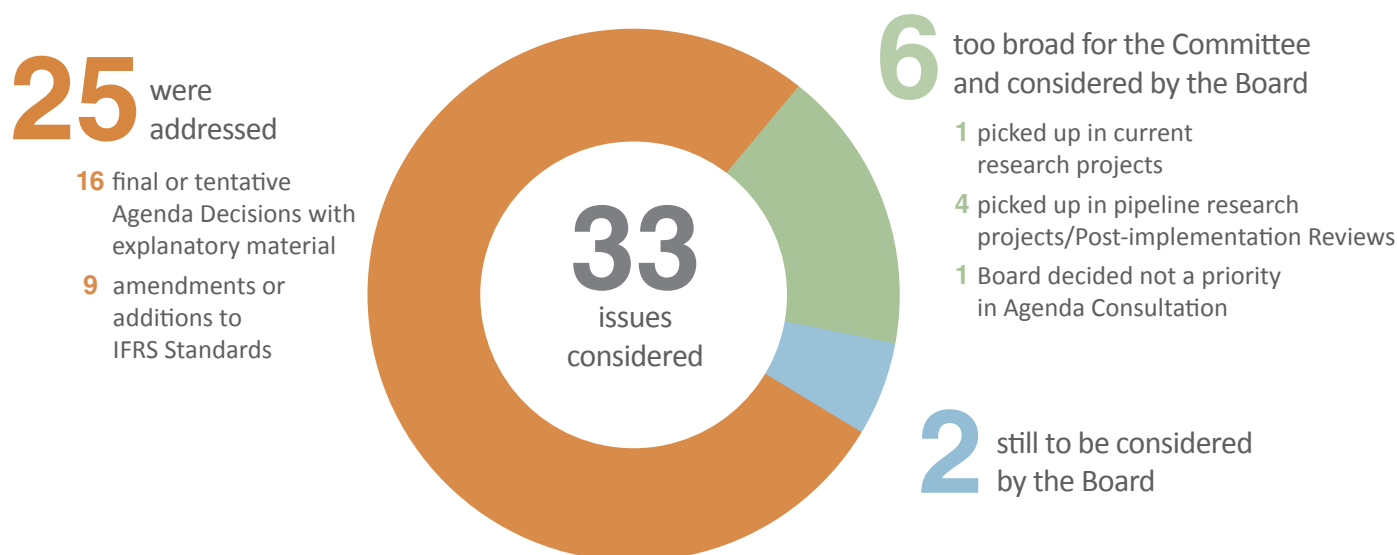
## Supporting application of existing Standards

Activities to support application of existing IFRS Standards are largely determined by feedback from stakeholders on application questions that they experience in practice. Although some might consider it helpful if the Board were always to provide new requirements in the Standards to address specific application questions, this is not always the best course of action. New requirements might assist one entity with a particular type of transaction, but could raise questions for other entities with similar, but different, types of transactions. The Board has always been clear that IFRS Standards are principles based and should not be overly prescriptive and detailed.

**In supporting the application of IFRS Standards, the IFRS Foundation must balance being helpful and responsive whilst not undermining the principles-based nature of the Standards.**

Application questions are mainly addressed by the IFRS Interpretations Committee (the Committee). Many stakeholders are aware of the Committee’s standard-setting activities, such as developing IFRIC® Interpretations. However, the Committee also provides other application support. For example, when the Committee decides not to address an application question through standard-setting, it publishes an agenda decision. To the extent possible, these agenda decisions provide useful information—typically explaining how an entity applies the principles and requirements in IFRS Standards to the specific circumstances in the question. Agenda decisions can also highlight relevant parts of a Basis for Conclusions or an Illustrative Example, as well as pointing to disclosures that might provide useful information to users of financial statements. When the Committee concludes that there is already sufficient material in the Standards to determine the appropriate accounting for an issue, it is more useful to a broader range of stakeholders to provide explanatory material rather than to perform any standard-setting activity.

The figure below summarises the Committee’s work during 2016:



The Board also interacts with others that have an important role in the application of the Standards. For example, the Board engages in technical discussions with, and provides education sessions to, national standard-setters and regulators.

## Plans for the future

During 2016, all of the IFRS Foundation’s functions to support the implementation and application of IFRS Standards have been brought together into an enlarged team. This was in response to helpful feedback from stakeholders in the Trustees’ Review of Structure and Effectiveness and the Board’s 2015 Agenda Consultation. The enlarged team will give the IFRS Foundation the capacity to develop resources and programmes to support those that use IFRS Standards.

In the shorter term, plans for 2017 include the following:

Improved communication	More comprehensive information about activities to support implementation and application will be included on our website.
Recently issued Standards	IFRS 16 <i>Leases</i> : Activities include an IFRS Foundation Leases conference in May 2017 and two further educational webcasts in the first half of 2017. We will continue to monitor implementation and be responsive to needs identified.
	IFRS 17 <i>Insurance Contracts</i> : Following issuance of the new Standard (expected May 2017), we will undertake implementation support activities based on our experience with IFRS 9, IFRS 15 and IFRS 16. These will include establishing a Transition Resource Group and other educational activities.
Other Education Initiatives	We plan to host IFRS conferences around the world including Europe, North America and Asia. In the latter half of the year there will be a focus on supporting implementation of the current IFRS for SMEs® Standard in addition to IFRS 17.



# Investor perspective: Mitch Reznick



## Mitch Reznick

Mitch Reznick is Co-Head of Credit and Head of Credit Research at Hermes Investment Management. Mitch joined Hermes in February 2010 having previously held positions at Fortis Investments and Moody's Investors Service across London, Paris and New York.

Hermes Investment Management is a participant in the *Investors in Financial Reporting* programme which was established in 2014 with the goal of creating dialogue with the buy-side community to ensure that IFRS Standards continue to meet the information needs of investors globally.

In addition, Mitch participates in the organisation's Capital Markets Advisory Committee, a body which aims to provide the International Accounting Standards Board (the Board) with regular input from the international community of users of financial statements.

In the following interview, Mitch discusses his experience of being involved with the *Investors in Financial Reporting* programme and his hopes for its future.

## How has participating in the IASB *Investors in Financial Reporting* programme benefited you and your colleagues at Hermes?

From an investment perspective, assessing a company's environmental, social and governance factors is every bit as important as assessing its credit, financial or operating risk. This is relevant because a company's governance can have a meaningful impact on valuation; therefore, we believe it's important to be a part of this programme as part of our efforts to promote open and transparent financial reporting.

While I would say that the majority of investors would probably support the 'shared beliefs' outlined in the programme, it can be challenging for individual investment firms speaking with only one voice to be heard. Aggregating and organising the views of many firms into one set of beliefs the investor community can support helps to more clearly broadcast the investor's voice.

## How do you see this helping corporate financial reporting and ultimately the interests of companies and investors?

From our perspective, it is crucial that financial statements reflect the economic reality of the companies in which we are investing. The more confident we are that this is the case, from the company's perspective, the more likely improved transparency will result in lower risk premiums and tighter credit spreads. Ultimately, the transparency translates into higher prices for the company's products or a lower cost of capital, which is good for the company and for its investors.

“

Aggregating and organising the views of many firms into one set of beliefs the investor community can support helps to more clearly broadcast the investor's voice.

”

## How could the *Investors in Financial Reporting* programme's future evolution increase its impact?

I have some fairly clear views on the way forward for the programme. I believe we can strengthen the programme's message by attracting more institutions to sign up to the statement of shared beliefs. There's an opportunity to continue raising awareness about this programme in the investment community, which would help increase involvement by more investment managers around the world. Once the programme gains more scale, the next idea could be to try to get preparers to sign up to a statement of shared beliefs. This could provide investors with some confidence that a company's approach to financial reporting reflects an earnest attempt to reflect its economic reality. I also believe that increasing the level of activities in the programme, such as having member firms engage together and encouraging them to help in the recruitment process could help further foster a sense of community.

## The *Investors in Financial Reporting* programme

In December 2014 the Board established the *Investors in Financial Reporting* programme. The goal of the programme is to increase our dialogue with the buy-side community, to ensure that IFRS Standards continue to meet the information needs of investors globally. The Board has always sought the views of both buy-side and sell-side investment professionals throughout the standard-setting process. However, the Board believed that it was possible to broaden interaction with the buy-side. As of December 2016, 18 major investment firms have participated in the programme.

### Statement of Shared Beliefs

The International Accounting Standards Board (the Board) and members of the *Investors in Financial Reporting* programme agree that high-quality, transparent financial reporting is fundamental to building trust in the capital markets and to making investment decisions. Achieving this should be a shared goal of all stakeholders in the capital markets. Members of the *Investors in Financial Reporting* programme acknowledge that as responsible investors they have an important role to play in the achievement of this goal by:

- sharing their views and contributing to the development of standards for financial reporting; and
- having a commitment to working with the Board to ensure that the investor perspective is articulated clearly, and is considered in the standard-setting process.

The Board recognises that this shared goal lies at the heart of the standard-setting process and is essential to fulfilling the Board's role as a global standard-setter. This can only be achieved with the help of insight and experience from the investment community. To meet this aim, the Board commits to continue to seek the views of investors, to consider them carefully, and to give due weight to their views in the standard-setting process. While the Board and the listed organisations share a commitment to work together to improve financial reporting, both acknowledge that they may have different views on some of the topics that are discussed.

For more information on the *Investors in Financial Reporting* programme or to find out how your organisation can get involved, contact Fred Nieto, Head of Investor Engagement via [fnieto@ifrs.org](mailto:fnieto@ifrs.org).







# Management commentary

The IFRS Foundation is a not-for-profit, public interest organisation with oversight by a geographically and professionally diverse body of trustees, accountable to a Monitoring Board of public capital market authorities. The organisation's structure, governance and due process are designed to keep standard-setting independent from special interests while ensuring accountability to stakeholders around the world.

The IFRS Foundation is the oversight and support body of the International Accounting Standards Board (the Board), the standard-setting body responsible for developing and promoting the use and rigorous application of IFRS Standards. The Board currently has up to 14 members, selected on the basis of their professional competence and practical experience and drawn from a variety of backgrounds, including users, preparers, standard setters and auditors.

## 2016 Financial results

The IFRS Foundation's financial statements are prepared in accordance with IFRS Standards. Financial highlights of the accompanying financial statements are as follows.

- The IFRS Foundation is reporting £3.2 million in comprehensive income for 2016, up from £2.7 million in 2015.
- Total income from all activities increased by £3.2 million to £30.6 million.
- Total operating expenses decreased slightly to £24.2 million from £24.5 million.
- As of 31 December 2016 the IFRS Foundation's net assets increased to £22.8 million. The increase is in line with the IFRS Foundation Trustees' strategic decision to accumulate reserves greater than one year of operating expenditure.

## Contributions

The majority of the IFRS Foundation's funding is based on voluntary contributions from jurisdictions that have put in place national financing regimes. Contribution levels are targeted for each jurisdiction at amounts proportional to their gross domestic product (GDP). While funding mechanisms differ, most jurisdictions have established either a levy on companies or an element of publicly supported financing. The organisation's other main sources of income are from publications, intellectual property licensing and contributions from international accounting firms.

An appropriate financing regime for the IFRS Foundation is vital for ensuring the independence of the organisation and its standard-setting. The financing regime must enable Board members and staff to engage interested parties around the world in shaping financial reporting standards, and to undertake all other related activities necessary to achieve the organisation's objectives.

The Trustees are continuing their work towards a global funding system with the following features which provide:

- a long-term commitment by jurisdictions;
- public sponsorship, through either direct or implicit governmental or regulatory support;
- flexibility;
- funding allocated proportionally, based primarily on GDP; and
- public accountability in the budget process.

In 2016, contributions were £24.1 million, an increase of £2.8 million from 2015. The year-on-year increase in contributions resulted primarily from favourable exchange rates for euros and US dollars compared with UK pounds. The IFRS Foundation received £18.3 million in US dollars and euros, or 76 per cent of all contributions. However, these gains were offset in part by realised exchange losses of £1.3 million from maturing forward foreign exchange contracts and cash holdings. In addition, there were £2.5 million in unrealised fair value losses on forward foreign exchange contracts included in finance costs as disclosed in Note 9 of the financial statements. As a result of the United Kingdom's decision to leave the European Union, currency exchange rates have experienced volatility which is expected to continue. For more information on how the IFRS Foundation manages its currency risk refer to Note 7.





## Publications and related activities

The IFRS Foundation's mission is also dependent on the development, distribution and protection of its intellectual property—IFRS Standards and supporting materials. The IFRS Foundation's commercial efforts are focused on both generating income and serving the public interest by ensuring that reliable and up-to-date content is widely available. Sales revenues consist of publications, subscriptions to eIFRS (electronic and app-based products), commercial licences, copyright licenses for jurisdictions adopting IFRS Standards and conference income.

Overall publications revenue increased 5.7 per cent, or £333,000 from 2015. Staff continued successful efforts in negotiating new agreements for licensing fees and revenue amounted to £2.6 million, a 16.3 per cent, or £360,000, increase from 2015. Subscriptions totalled £1.8 million; book sales amounted to £1.5 million. Price increases during the year led to a 1.9 per cent increase in subscription revenue. Book sales decreased 6.1 per cent, continuing the general shift to digital media.

The cost of publications and related expenses decreased 6.3 per cent, or £201,000, to £3.0 million. Net income from publications and related activities increased 20.6 per cent, or £534,000, from 2015, amounting to £3.1 million. Additional revenue and expense information for publications and related activities is provided in Note 6 of the financial statements.

## Expenses

Total operating expenses were £24.2 million, which is relatively unchanged from £24.5 million in 2015. The main costs associated with developing IFRS Standards are salaries and related costs for the Board, technical staff and support staff. In both 2016 and 2015 these costs amounted to 79 per cent of operating costs excluding publications. As set out in Note 1 of the financial statements, the Trustees amended the IFRS Foundation *Constitution* in 2016 following the completion of their Review of Structure and Effectiveness. The amendments included the reduction of Board members from 16 to 14.

There was a small temporary decrease in head count in 2016 owing to the timing gaps between leavers and their replacements on the Board and in the technical staff.

IFRS Standards are developed through international consultation—the due process—which involves interested individuals and organisations from around the world. The IFRS Foundation's operational staff and technical staff coordinate a comprehensive programme of support and outreach designed to enable others to better understand and comment on accounting principles the Board proposes. The IFRS Foundation's Trustees and senior management closely monitor operating expenses while funding the costs for travel, meetings and technology upgrades to enhance external relations.

## Reserves

As of 31 December 2016 the IFRS Foundation's reserves were £22.8 million (2015: £19.6 million). This level of reserves is 94.5 per cent of 2016 operating expenses (2015: 80 per cent), an increase of 14.5 percentage points from 2015. The IFRS Foundation's goal is to continue to maintain and build future operating reserves of cash and working capital. The operating reserve is an unrestricted fund balance set aside to stabilise the IFRS Foundation's finances by providing a 'cushion' against unexpected events or losses of income. The Trustees have included within the IFRS Foundation's 2017 plan a proposal to increase reserves to a level greater than one year's operating expenditure.

## 2017 Outlook

In 2017 the IFRS Foundation will continue to manage its operating expenditure prudently and effectively and will actively pursue further initiatives to enhance the organisation's income. The 2017 plan does not envisage significant increases in the organisation's operating requirements.



# 2016 Financial Supporters

(amounts translated into sterling on date received)

Country	Organisation	
<b>Cumulative amount raised by country appears below the country name</b>		
<b>Australia</b>		
	<b>£481,100</b>	Financial Reporting Council
<b>Brazil</b>		
	<b>£318,218</b>	
	£100,000+	Fundação de Apoio ao Comitê de Pronunciamentos Contábeis
	£50,000+	The Brazilian Development Bank (BNDES)
	£25,000+	Central Bank of Brazil
<b>Canada</b>		
	<b>£525,932</b>	
	£100,000+	Chartered Professional Accountants of Canada
	Less than £25,000	Office of the Superintendent of Financial Institutions Canada
<b>EU</b>		
	<b>£3,805,945</b>	European Commission
<b>France</b>		
	<b>£848,176</b>	French Ministry of Finance (ANC)
<b>Germany</b> <i>Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V. the German standard-setting organisation</i>		
	<b>£734,200</b>	
	Less than £25,000	Aareal Bank AG
		GFT Technologies SE
		adidas AG
		Grammer AG
		AIXTRON AG
		Hannover Rück SE
		Allianz SE
		Heidelberger Druckmaschinen AG
		alstria office REIT-AG
		Helaba Landesbank Hessen-Thüringen
		Altana AG
		HORNBAACH Holding AG & Co. KGaA
		BASF SE
		HSBC Trinkaus & Burkhardt AG
		Bauer AG
		Infineon Technologies AG
		Bayer AG
		Kion Group AG
		Beiersdorf AG
		LANXESS AG
		Bilfinger SE
		Linde AG
		BMW-Bayerische Motorenwerke AG
		Merck KGaA
		Borussia Dortmund GmbH & Co. KGaA
		METRO AG
		comdirect bank AG
		MTU Aero Engines Holding AG
		Commerzbank AG
		Münchener Rückversicherungs-Gesellschaft AG
		Continental AG
		Norma Group SE
		Covestro AG
		OSRAM AG
		CropEnergies AG
		Progress-Werk Oberkirch AG
		Daimler AG
		PUMA SE
		DekaBank
		Rheinmetall AG

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Country	Organisation
	Deutsche Bank AG
	Robert Bosch GmbH
	Deutsche Beteiligungs AG
	RWE AG
	Deutsche Börse AG
	SAP AG
	Deutsche Post AG
	Sartorius AG
	Deutsche Telekom AG
	Schaeffler AG
	Drägerwerk AG & Co KGaA
	SGL Carbon AG
	Dürr AG
	Siemens AG
	Fielmann AG
	Südzucker AG
	Fraport AG
	TUI AG
	freenet AG
	United Internet AG
	Fresenius Medical Care AG & Co. KGaA
	Villeroy & Boch AG
	Fresenius SE & Co KG
	Volkswagen AG
	Generali Deutschland Holding AG
	Wacker Chemie AG
	Gerresheimer AG
	WireCard AG
	GfK SE
<b>Hong Kong</b>	
<b>£142,641</b>	
£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>	
<b>£500,000</b>	Ministry of Corporate Affairs
<b>Indonesia</b>	
<b>£63,993</b>	Financial Services Authority (OJK)
<b>International</b>	
<b>£16,965</b>	Bank for International Settlements
<b>Ireland</b>	
<b>£7,022</b>	Central Bank & Financial Services Authority of Ireland
<b>Israel</b>	
<b>£17,000</b>	Israel Securities Authority
<b>Italy</b>	
<b>£637,460</b>	Organismo Italiano di Contabilita
<b>Japan</b>	
<b>£1,961,991</b>	Financial Accounting Standards Foundation
<b>£315,000</b>	Financial Accounting Standards Foundation Restricted contribution for the Asia-Oceania office
<b>Kazakhstan</b>	
<b>£6,961</b>	National Bank of Kazakhstan
<b>Malaysia</b>	
<b>£75,000</b>	Malaysian Accounting Standards Board

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Country	Organisation		
<b>Netherlands</b>			
	<b>£333,959</b>		
	£100,000+	Ministry of Finance	
	Less than £25,000	De Nederlandsche Bank	
<b>New Zealand</b>			
	<b>£111,604</b>	External Reporting Board	
<b>Nigeria</b>			
	<b>£160,192</b>	Financial Reporting Council of Nigeria	
<b>Norway</b>			
	<b>£98,224</b>	Financial Supervisory Authority of Norway	
<b>People's Republic of China</b>			
	<i>Through system created by the Ministry of Finance</i>		
	<b>£2,088,090</b>		
	£100,000+	China Ministry of Finance	
		Chinese Institute of Certified Public Accountants	
		Shanghai Stock Exchange	
		Shenzhen Stock Exchange	
	£50,000+	China Investment Corporation	
	£25,000+	China Communications Construction Company Limited	
	Less than £25,000	ZTE Corporation	
<b>Portugal</b>			
	<b>£18,864</b>	Banco de Portugal	
<b>Republic of Korea</b>			
	Contributions organised through Korea Accounting Standards Board		
	<b>£560,673</b>		
	£100,000+	Korea Accounting Standards Board (KASB)	
	£50,000+	Financial Supervisory Service	Samsung Electronics Co. Ltd
	£25,000+	Samsung Fire & Marine Insurance Co. Ltd	Samsung SDS Co. Ltd
		Samsung C&T Corporation	Korea Gas Corporation
		Samsung Life Insurance Co. Ltd	
	Less than £25,000	Samsung Securities Co. Ltd	Hana Financial Group Inc.
		Samsung Card Co. Ltd.	KB Financial Group Inc.
		LG Electronics Inc.	Korea Hydro & Nuclear Power CO. Ltd
		Celltrion, Inc.	Korea District Heating Corporation
		Samsung SDI Co. Ltd	KEPCO Plant Service & Engineering Co. Ltd
		Shinhan Financial Group Co. Ltd	

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Country	Organisation		
<b>Russia</b>			
	<b>£427,700</b>	Ministry of Finance of the Russian Federation	
<b>Saudi Arabia</b>			
	<b>£188,536</b>		
	£100,000+	Saudi Organization for Certified Public Accountants	
	£25,000+	National Commercial Bank	
<b>Singapore</b>			
	<b>£70,000</b>	Ministry of Finance	
<b>South Africa</b>			
	<b>£131,652</b>		
	£100,000+	Companies and Intellectual Property Commission	
	Less than £25,000	Johannesburg Stock Exchange	
<b>Spain</b>			
	<b>£311,357</b>	Bolsas y Mercados Españoles	
<b>Switzerland</b>			
	<b>£105,836</b>		
	£50,000+	SwissHoldings	
	Less than £25,000	Swiss National Bank	
<b>Taiwan</b>			
	<b>£62,003</b>		
	Less than £25,000	Accounting Research and Development Foundation	Taiwan Futures Exchange
		Taipei Exchange	Taiwan Stock Exchange
		Taiwan Depository & Clearing Corporation	
<b>United Kingdom</b>			
	<i>Levy system organised by Financial Reporting Council</i>		
	<b>£861,876</b>		
<b>United States of America</b>			
	<b>£760,236</b>		
	£100,000+	Citigroup	
	£50,000+	AICPA	J P Morgan Chase
		Bank of America	Morgan Stanley
		Board of Governors of the US Federal Reserve System	TIAA-CREF
		CFA Institute	
	£25,000+	Ford Motor Company	Oracle
		Pepsico	

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Country		Organisation	
	Less than £25,000	General Motors	
<b>International Accounting Firms</b>			
	<b>£7,644,962</b>		
	(US\$2.5 million each)	Deloitte Touche Tohmatsu Limited	KPMG
		Ernst & Young	PricewaterhouseCoopers
	£100,000+	BDO (Brussels Worldwide Services bvba) (US\$300,000)	
		Grant Thornton (US\$300,000)	
		Mazars (US\$165,000)	
	£50,000+	Crowe Horwath International (US\$75,000)	
	Less than £25,000	RSM International (US\$15,000)	

# The IFRS Foundation and its financial statements

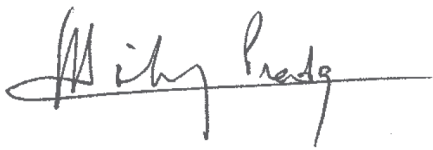
The IFRS Foundation (the Foundation) is an independent, not-for-profit, public interest organisation incorporated in the State of Delaware, USA, on 6 February 2001. Its primary operations are based in London. Its mission is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world. The Foundation's work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

IFRS Standards are developed and issued by the International Accounting Standards Board (the Board), the standard-setting arm of the Foundation, working with related bodies that include the IFRS Interpretations Committee, IFRS Advisory Council and the Accounting Standards Advisory Forum.

The governance and key management responsibilities of the Foundation rest primarily with its Trustees, who provide oversight. A Monitoring Board, consisting of capital market authorities with responsibilities for financial reporting, provides a formal public accountability link between the Trustees and public authorities. The Foundation's governance and due process are designed to keep the Foundation's standard-setting independent from special interests while ensuring accountability to its stakeholders around the world.

These financial statements cover the year ended 31 December 2016. They have been prepared in compliance with IFRS Standards, including Interpretations, that were effective or applied early on 1 January 2016.

The financial statements were approved and authorised for issue by the Trustees of the Foundation on 12 April 2017. At that date there had been no events since 31 December 2016 that required disclosure in, or an adjustment, to the financial statements.



Michel Prada  
Chair of the Trustees



# Independent auditor's report to the Trustees of the IFRS Foundation

## Opinion

We have audited the financial statements of IFRS Foundation (the 'Foundation'), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

## Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Foundation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
United Kingdom

Date: 12 April 2017



# Statement of comprehensive income

Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Income</b>			
Contributions	5	24,078	21,302
Revenue from publications and related activities	6	6,139	5,806
Other income	5	380	324
		<u>30,597</u>	<u>27,432</u>
<b>Operating expenses</b>			
Technical and operational activities			
- IASB members and staff costs	1	16,632	16,780
- Other technical and operating costs	1	1,856	1,664
- IFRS Advisory Council, IFRS Interpretations Committee and other Advisory bodies	1	302	374
Publications and related activities expenses	6	3,015	3,216
Trustee oversight	2	878	972
Premises, occupancy and related expenses	3	1,478	1,521
		<u>24,161</u>	<u>24,527</u>
<b>Net operating income</b>		<b>6,436</b>	<b>2,905</b>
Finance income	9	614	1,057
Finance costs	9	3,828	1,283
		<u>(3,214)</u>	<u>(226)</u>
<b>Income before tax</b>		<b>3,222</b>	<b>2,679</b>
Income tax expense	4	—	—
<b>Comprehensive income for the year</b>		<u><b>3,222</b></u>	<u><b>2,679</b></u>

# Statement of changes in equity

Year ended 31 December 2016

Retained surplus at beginning of year	19,615	16,936
Comprehensive income for the year	<u>3,222</u>	<u>2,679</u>
<b>Retained surplus at end of year</b>	<u><b>22,837</b></u>	<u><b>19,615</b></u>

The notes on pages 50 to 57 form part of these financial statements.



# Statement of financial position

As at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,931	10,495
Contributions receivable	5	2,863	1,479
Trade and other receivables		1,199	1,039
Prepaid expenses		644	676
Inventories		37	141
Bonds at fair value, including accrued interest	8	944	3,360
Forward currency contracts at fair value	7	–	311
		<u>15,618</u>	<u>17,501</u>
<b>Non-current assets</b>			
Bonds at fair value, including accrued interest	8	14,511	8,910
Forward currency contracts at fair value	7	183	–
Leasehold improvements, furniture and equipment	3	466	507
		<u>15,160</u>	<u>9,417</u>
<b>Total assets</b>		<u>30,778</u>	<u>26,918</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		341	399
Payroll taxes payable		484	578
Accrued expenses		943	1,003
Contributions received in advance	5	534	1,859
Rent incentive	3	82	82
Publications revenue received in advance	6	1,248	1,225
Forward currency contracts at fair value	7	2,786	949
		<u>6,418</u>	<u>6,095</u>
<b>Non-current liabilities</b>			
Forward currency contracts at fair value	7	853	492
Lease reinstatement obligation	3	607	571
Rent incentive	3	63	145
		<u>1,523</u>	<u>1,208</u>
<b>Total liabilities</b>		<u>7,941</u>	<u>7,303</u>
<b>Net assets</b>		<u>22,837</u>	<u>19,615</u>

The notes on pages 50 to 57 form part of these financial statements.



# Statement of cash flows

Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Operating activities</b>			
<b>Cash received</b>			
Contributions		21,356	23,434
Publications and related activities		5,934	5,899
Funding for Asia-Oceania office	5	315	220
Interest		340	327
Foreign exchange settlements		41	496
Other receipts		41	18
<b>Cash paid</b>			
Salaries, wages and benefits		(16,850)	(16,660)
Publications and related activities expenses		(2,950)	(3,208)
Trustees' fees		(627)	(649)
Other operating expenses		(3,585)	(3,615)
<b>Net cash from operating activities</b>		<b>4,015</b>	<b>6,262</b>
<b>Investing activities</b>			
Matured bonds receipts		3,225	–
New bond purchases		(6,346)	(3,834)
Purchase of leasehold improvements, furniture and equipment		(138)	(170)
<b>Net cash from investing activities</b>		<b>(3,259)</b>	<b>(4,004)</b>
Effects of exchange rate changes on cash and cash equivalents		(1,320)	163
<b>Net increase in cash and cash equivalents</b>		<b>(564)</b>	<b>2,421</b>
Cash and cash equivalents at the beginning of the year		10,495	8,074
<b>Cash and cash equivalents at the end of the year</b>		<b>9,931</b>	<b>10,495</b>

The notes on pages 50 to 57 form part of these financial statements.



# Notes to the financial statements

For the year ended 31 December 2016

## Significant accounting policies

The functional and presentation currency is sterling.

The IFRS Foundation's (the Foundation) most important intangible asset is the intellectual property embodied in the IFRS Standards. The Foundation does not recognise this asset because the value and future economic benefits cannot be reliably measured. Accordingly, costs related to the development of IFRS Standards are recognised as an expense when they are incurred.

All other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The Trustees have a reasonable expectation that the Foundation has adequate resources to continue operations for the foreseeable future. The Foundation has therefore adopted the going concern basis in preparing its Financial Statements.

## Current period and future changes to the accounting policies (including early application)

All accounting policies have been applied consistently to the two years presented. The financial statements have been drawn up on the basis of IFRS Standards, Interpretations and amendments effective or applied early at 1 January 2016.

In 2009 the Foundation elected to early apply IFRS 9 *Financial Instruments* (2009); the Foundation has elected not to early apply subsequent amendments to IFRS 9 published in 2010 and 2014, which have an effective date of 1 January 2018. Also in 2014, IFRS 15 *Revenue from Contracts with Customers* was issued; the Foundation has elected not to early apply it before the effective date of 1 January 2018. In 2016, IFRS 16 *Leases* was issued. These Standards are not expected to have a material effect on the Foundation's financial statements.

## Explanatory information

The explanatory notes are organised into sections that provide an informative presentation of the financial reporting implications of the Foundation's core activity—the development of IFRS Standards—how it funds that activity and how it manages the contributions from the several currencies of its funding providers. Each section presents the financial information and any material accounting policies that are relevant to understanding the activities of the Foundation. The organisation of the explanatory information was motivated by feedback about financial report presentation that had come from the technical work of the Board in its major project on disclosure—the *Disclosure Initiative*.

### Activities

Technical and operational activities  
Trustee oversight  
Premises, occupancy and related operating expenses  
Taxation

### Funding

Contributions  
Publications and related activities

### Management of funds

Foreign currency management  
Investments  
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## Activities

### 1 Technical and operational activities

#### *IASB member and staff costs*

The main costs associated with developing IFRS Standards are the salaries of the full-time IASB members and the staff. The Foundation had an average of 137 employees including IASB members and interns during 2016 (2015: 139).

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
IASB member salaries and related costs	7,145	7,183
Technical and operational staff salaries and related costs	9,487	9,597
	<u><b>16,632</b></u>	<u><b>16,780</b></u>

The Trustees' Human Capital Committee reviews, benchmarks and recommends salary and benefit levels, that are reviewed and approved annually by the Trustees. Following the conclusion of a review of structure and effectiveness, the Trustees announced amendments to the IFRS Foundation Constitution in 2016. These amendments included the reduction of IASB members from 16 to 14 and a reclassification of the geographical distribution of Board members and Trustees. The IASB Vice-Chair elected to retire after his first term ending June 2016 to enable the reforms.

IASB members' gross salaries covering all compensation and benefits for 2016 were as follows: £559,600 for the IASB Chair (2015: £558,200); £750,600 for the IASB Vice-Chair (2015: £492,200) which includes a leaving package of £497,200; £80,500 for the newly appointed Vice-Chair effective November 2016, and; an average of £458,600 for other full-time IASB members (2015: £458,400). In addition to the Trustees, IASB Chair and IASB Vice-Chair, the "key management personnel" includes the Executive Director at an annual gross salary of £276,000 (2015: £265,000). The Foundation pays monthly contributions, at rates between 8% and 10% of gross salary, into a defined contribution group personal pension scheme for substantially all staff except IASB members.

#### *Other technical and operating costs*

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Audit, legal and taxation advice	94	72
Communication and technology	380	292
External relations	57	80
Human resource and recruitment activities	283	143
Meeting video conferencing	138	134
Travel and meetings	643	717
Other office related costs	261	226
	<u><b>1,856</b></u>	<u><b>1,664</b></u>

#### *IFRS Advisory Council, IFRS Interpretations Committee and other advisory bodies*

In 2016 and 2015, the Foundation paid remuneration to the Chair of the IFRS Advisory Council £75,000 per year. Additionally, the Foundation reimbursed travel and accommodation costs. Other members of the IFRS Advisory Council are not paid remuneration and they meet all of their costs of attending meetings, such as travel and accommodation.

Members of the IFRS Interpretations Committee are not remunerated by the Foundation for their work on this body. However, they are reimbursed for their travel costs for attending the meetings. Members of the Board's other advisory bodies meet their own costs of attending meetings. No members of these other bodies are remunerated by the Foundation.



The remuneration, travel and meeting costs for these committees and advisory bodies are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
IFRS Advisory Council – remuneration costs	75	75
IFRS Advisory Council – travel and meeting costs	82	81
IFRS Interpretations Committee – travel and meeting costs	145	218
	<u><b>302</b></u>	<u><b>374</b></u>

## 2 Trustee oversight

The Foundation's management and governance is overseen by 21 Trustees (2015: 21). The Trustees meet up to three times a year. The Chair of the Trustees receives £200,000 per annum. Other Trustees receive an annual fee of £20,000 and are reimbursed for their travel on Foundation business. There are six Trustee committees; committee chairs receive an additional £7,000 per annum.

Costs associated with Trustee activities are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration costs	630	637
Travel and meeting costs	248	335
	<u><b>878</b></u>	<u><b>972</b></u>

## 3 Premises, occupancy and related expenses

The components of premises, occupancy and related expenses are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Rent	772	759
Rates, insurance and energy	454	456
Service charges	287	379
Depreciation	228	205
	<u>1,741</u>	<u>1,799</u>
Less amounts included in publications costs	<u>(263)</u>	<u>(278)</u>
	<u><b>1,478</b></u>	<u><b>1,521</b></u>



The Foundation operates from two premises, both of which are leased. The main activities are undertaken at 30 Cannon Street in London, UK. The Foundation also has an Asia-Oceania office located in the Otemachi Financial City South Tower in Tokyo, Japan. The Foundation has commitments for operating leases for the London premises until September 2018, with options to extend for a further 10 years, and for the Tokyo premises until September 2022.

The Foundation received a rent incentive at the commencement of the lease for its London premises, which was recognised as a liability. The aggregate benefit of the incentives is recognised as a reduction of the rental expense evenly over the lease term.

The estimated costs of reinstating the premises when the leases expire are recognised as lease reinstatement obligations and are included in leasehold improvements and expensed evenly over the remaining lease term. The estimated amount of the reinstatement obligation assumes that the London occupancy would end in 2018; however, the option to extend the lease for a further 10 years could affect the timing of any outflow.

All operating lease contracts contain market review clauses. Obligations due on the leases, excluding service charges and property rates, are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	851	838
In two to five years	866	1,594
More than five years	53	100
	<u>1,770</u>	<u>2,532</u>

#### *Leasehold improvements, furniture and equipment*

Leasehold improvements, furniture and equipment are initially measured at cost, and then depreciated on a straight-line basis. Leasehold improvements are depreciated over the remaining period of the lease. Furniture and equipment are depreciated over 3 and 5 years. There have been no significant movements in 2016 other than depreciation.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Leasehold improvements</b>		
Cost	1,441	1,384
Accumulated depreciation	<u>(1,209)</u>	<u>(1,103)</u>
Carrying amount	<u>232</u>	<u>281</u>
<b>Furniture and equipment</b>		
Cost	1,209	1,111
Accumulated depreciation	<u>(975)</u>	<u>(885)</u>
Carrying amount	<u>234</u>	<u>226</u>
<b>Total carrying amount</b>	<u><u>466</u></u>	<u><u>507</u></u>





## 4 Taxation

For US tax purposes, the Foundation is classified as a not-for-profit, tax-exempt organisation. In 2006 the Foundation reached an agreement with the UK authorities regarding the status of taxation on its publications and related revenues. For 2016 the taxation expense is calculated on that basis, and is estimated to be £nil (2015: £nil).

At the end of 2016 the Foundation is carrying forward a loss for UK tax purposes of £5,836,000 (2015: £5,550,000). The Foundation does not recognise this loss as a deferred tax asset because of the uncertainty of being able to utilise these losses to offset future taxable income.

## Funding

### 5 Contributions

Contributions to the Foundation are voluntary and mainly publicly sponsored. Contributions are recognised as income in the year designated by the contributor. Contributions that have been received but are designated for use after the reporting date are deferred and recognised as liabilities. Contributions received after the reporting date, but designated for use in the reporting period are recognised as income and as contributions receivable. All contributions received are for general use by the Foundation except for funding of the Asia-Oceania office as noted below.

The Foundation received separate funding of £315,000 / JPY 50,000,000 (2015: £220,000 / JPY 50,000,000) towards the operations of the Asia-Oceania office located in Tokyo. £348,000 (2015 £288,000) has been recognised in other income to offset the related operating expenses.

The Foundation receives contributions in a wide range of currencies, as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
UK Pounds	2,347	1,965
US Dollars	11,606	10,462
Euro	6,749	5,938
Other	3,376	2,937
	<u><b>24,078</b></u>	<u><b>21,302</b></u>

The year over year increase in contributions resulted primarily from favourable currency exchange rates. However, these gains were offset in part by the exchange losses from maturing foreign exchange contracts that are included in Finance Costs in Note 9. For more information on how the Foundation manages its currency risk refer to Note 7. A full list of contributors can be found on page 40.



## 6 Publications and related activities

Revenues are generated from the sales of publications and subscriptions, and, from licensing fees. Publications revenue is recognised when a sale is made, i.e. when publications are shipped. Subscriptions to the Foundation's comprehensive package and eIFRS products are recognised as revenue on a time-apportioned basis over the period covered by the subscriptions. Licensing fees flow from contracts that grant rights to third parties to use IFRS Standards for various purposes including products and services; revenue is recognised over the term of the contracts. The Foundation does not generally offer credit on publication or subscription sales. Inventories consist of the Foundation's publications, which are carried at the lower of the cost of printing, on a first-in-first-out basis, or their net realisable value.

The following table presents the components of the net revenue generated by the Foundation's publications and related activities.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>		
Sales of publications and subscriptions	3,287	3,353
Licensing fees	2,574	2,214
Other revenue – primarily conferences	278	239
	<u><b>6,139</b></u>	<u><b>5,806</b></u>
<b>Expenses</b>		
Staff salaries and related costs	1,853	1,836
Cost of goods sold	332	390
Depreciation	22	22
Other costs, including occupancy expenses	808	968
	<u><b>3,015</b></u>	<u><b>3,216</b></u>
<b>Net income from publications and related activities</b>	<u><u><b>3,124</b></u></u>	<u><u><b>2,590</b></u></u>

## Management of funds

### 7 Foreign currency management

To manage risks associated with fluctuations in voluntary contribution levels, the Trustees of the Foundation have set a target of having sufficient funds to be able to meet twelve months of its operating costs. The Foundation's expenses arise largely in sterling, whereas the organisation receives funding and future financing commitments, under various publicly sponsored funding regimes, primarily in US dollars and euros (refer to Note 5). 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. This note explains the financial reporting consequences of how the Foundation manages the transfer of funds and the investment of its surplus funds.

The Trustees have implemented a strategy to mitigate the foreign exchange fluctuation risks connected with these expected future net contributions. The Foundation generally forward sells approximately 90 per cent of its expected net US dollar contributions and 70 per cent of its expected net euro contributions to fix a sterling equivalent. Foreign currency is sold forward on a two year rolling basis.



The forward foreign exchange contracts used by the Foundation to mitigate foreign exchange risk are recognised at fair value and subsequently measured at fair value through profit or loss. The following table presents the fair value and notional value of these contracts by currency:

Forward foreign exchange contracts by currency:	2016			2015		
	Fair Value '000	Notional Value '000	Weighted Average Rate	Fair Value '000	Notional Value '000	Weighted Average Rate
<b>Financial Assets</b>						
EUR (Level 2)	£183	€5,000	1.098	£311	€4,500	1.231
<b>Financial Liabilities</b>						
USD (Level 2)	£(2,905)	\$24,100	1.376	£(1,283)	\$28,200	1.592
EUR (Level 2)	£(734)	€5,200	1.383	£(158)	€5,200	1.382

The fair value of forward foreign exchange contracts is bank-provided and based on price models using observable exchange rates, described as Level 2 in IFRS 13 *Fair Value Measurement*. All non-current forward contracts expire in 2018. The effect of these forward contracts is that the Foundation is exposed to the currency risk associated with the expected remaining 10 per cent of projected net US dollar contributions and 30 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 £65,000 and on the remaining actual net euro contributions received during the year of £222,000. To the extent that projected contributions in either currency change, the Foundation actively manages the amount of each currency forward sold.

#### *Liquidity and interest rate risk*

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

The Foundation has a target of keeping an amount in cash equal to or exceeding the upcoming quarter's expenditure. Cash is held either as current or as short-term deposits at floating rates of interest. Part of the cash at bank is held in euro, Japanese yen and US dollar accounts to meet expenditure obligations. Surplus funds are invested in sterling-denominated, fixed rate bonds of governments, governmental agencies, or international organisations, with AAA ratings at the time of purchase. These funds are reserves for continuing operations.

The Foundation manages and receives information on its investments in bonds on a fair value basis that includes value changes attributable to interest rate risk. Financial results are provided on that basis to the Trustees and key management personnel. Bonds can be converted into cash if necessary.



## 8 Investments

Bonds are recognised at fair value and subsequently measured at fair value through profit or loss. The values of these bonds are quoted on active markets, described as Level 1 in IFRS 13. Fair values and notional values of current and non-current bonds are presented in the following table.

	<b>2016 Fair Value £'000</b>	<b>2016 Notional Value £'000</b>	<b>2015 Fair Value £'000</b>	<b>2015 Notional Value £'000</b>
Current including accrued interest	944	927	3,360	3,266
Non-current including accrued interest	14,511	14,264	8,910	8,870
	<u><b>15,455</b></u>	<u><b>15,191</b></u>	<u><b>12,270</b></u>	<u><b>12,136</b></u>

The 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 cash and cash equivalents, contributions receivable, publication-related receivables, and trade and other payables.

## 9 Finance income and finance costs

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Finance income:</b>		
Interest income	200	184
Fair value gains on forward foreign exchange contracts	183	220
Fair value gains on bonds	203	–
Exchange gains on forward foreign exchange contracts and cash holdings	28	653
	<u><b>614</b></u>	<u><b>1,057</b></u>
<b>Finance costs:</b>		
Fair value losses on forward foreign exchange contracts	(2,508)	(1,198)
Fair value losses on bonds	–	(85)
Exchange losses on forward foreign exchange contracts and cash holdings	(1,320)	–
	<u><b>(3,828)</b></u>	<u><b>(1,283)</b></u>
	<u><b>(3,214)</b></u>	<u><b>(226)</b></u>

## In Memoriam



**Karin Jones  
(1961–2016)**

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It was with great sadness that colleagues of Karin Jones learned of her passing in 2016 as a result of complications following an operation.

Karin was Head of Publications and Adoption Support at the IFRS Foundation and a much-loved colleague. A qualified solicitor and accomplished editor, Karin spent twenty years in publishing, particularly of legal texts with Butterworths (part of Lexis Nexis) and later with Sweet & Maxwell (part of Thomson Reuters).

Karin first started working for the IFRS Foundation in 2013 and oversaw the production of the organisation's publications and translations.

Karin is sorely missed by her teams and many close colleagues for her unique capabilities, sense of humour and always sound advice. We offer our condolences to her partner, family and circle of friends.



**The Trustees  
thank all employees and  
contributors to the work of  
the IFRS Foundation for their  
dedication and efforts  
throughout 2016**





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