



International Financial Reporting Standards

The IFRS Foundation's Financial Position: 2010 Results and 2011 Budget

April 2011



The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Background

- The MoU governing the relationship between the Monitoring Board (MB) and the Foundation calls for the Monitoring Board to confer on the **“adequacy and the appropriateness of the sources of funding and any other revenue arrangements of the IASCF, as well of the annual budget of the IASCF.”**
- The purpose of this presentation is to inform the MB of our financial position, financial plans, the progress being made to close the previously discussed financing gap, and potential risks.

2010 Results and 2011 budget summary

£ '000s	2010 Budget	2010 Actual	2011 Budget	Increase Bud v Act
Contributions	15,990	16,640	19,353	16.3%
Interest income & Honoraria	459	329	279	(15.2)%
Publications, net	3,468	3,179	3,555	11.8%
Total Revenues	19,917	20,148	23,187	15.1%
XBRL costs	682	621	761	22.5%
Operating Expenses:				
Remuneration	15,845	15,728	17,326	10.2%
Office Costs	2,198	1,946	2,233	14.7%
Professional Services	692	548	433	(21.0)%
Travel	2,354	2,658	2,419	-9.0%
Total Operating Expenses	21,089	20,880	22,411	7.3%
Net Operating Profit/(Deficit)	(1,854)	(1,353)	15	
Non Operating Costs	(19)	(657)	(15)	
Total Profit (Deficit) Pre-Tax	(1,873)	(2,010)	0	

2010 Results

- The IFRS Foundation was able to **reduce the operating deficit** to £1.3 million from the originally approved budget of £1.8 million.
- The total 2010 deficit, after fair value changes associated with the unwinding of hedging positions, is £2.0 million reducing reserves from £9.7 million at end 2009 to £7.7 million at end 2010.
- Through the careful management of expenditures and focused effort on financing efforts in 2010, the IFRS Foundation is in a **position to have a balanced budget in 2011**.

2010 Financial Results

2010 Highlights

- Contributions exceeded budget, largely because of favourable exchange rate movement. New country regimes were established, but were offset by a loss of some contributions.
- Publications income was lower than budget, due to a decline in overall book sales and more liberal policy on copyright waivers.
- Remuneration and other expenses, with the exception of travel, held below agreed budget.
- Increased travel reflects greater Trustee activity (meetings, stakeholder engagement) and intensive IASB outreach.

2011 Budget

Summary of 2011 Budget

- The Trustees approved a balanced budget for 2011 reflecting the following assumptions:

Revenue

- Significant increase in financing with the addition of new funding regimes in Africa, Americas, Europe, and Asia-Oceania (see financing update)
- Publications net revenues will increase due to broader interest in IFRS, leading to increased royalty revenues

Expenditure

- Operating expenses a year on year increase of 7.3% (explained in greater detail on next slide);

2011 Budget—Remuneration

- Growth of the remuneration budget takes into account the following:
 - With enhanced activity, Trustee fees (£200,000/yr for chair, £12,500/yr for others, and £1,000/formal meeting event) growing from £506,000 to £639,000;
 - The overlap resulting from the early start of the IASB chair-designate and the vice-chair designate (costing an additional £285,000);
 - Following Trustee approval using benchmarking data, an average annual remuneration increase of 2.5% (costing £374,000)
 - Trustees are responsible for paying an additional one percent associated with UK National Insurance Contributions.

2011 Budget—Other Expenses

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- An increase in office costs of 14.7%, primarily technology investment that was held back from 2010. This includes infrastructure upgrades for servers and operating software;
- A decrease in professional services spend, resulting from the reduced recruiting resource;
- Travel has been reduced to reflect a reduction of project-specific outreach activity as the convergence programme draws to completion.

Status of Financing Programme

General financing status

- IFRS Foundation strategy calls for moving as quickly as possible to funding that relies on public sponsorship or other intermediated mechanisms.
- Significant progress has been achieved in moving in this direction (particularly in Asia-Oceania, Europe, and increasingly Africa and the Americas).
- In 2011, the United States is the only country where the IFRS Foundation seeks direct contributions by companies.
- Direct contributions from companies (8%) and international accounting firms (26%) is reduced to 34% percent of total revenues. This percentage will be reduced further with expected progress in the United States and other jurisdictions.

State of financing regimes

- EU funding is provided in two components in 2011:
 - **EU grant:** Beginning 2011 and through 2013, the IFRS Foundation will receive an annual payment of €4.25 million through the European Commission.
 - **National financing regimes:** The EU grant is supplemented by national regimes, already in place, in 2011. The amount provided through national regimes is subject to change and reflects the transition to the EU-wide mechanism.
- Efforts in Latin America continuing, with Brazilian regime established in 2011.
- Asia-Oceania provides funding reflecting GDP, and new regimes being established.
- Nigeria and South Africa have new regimes in place.

Expected financing contributions 2011

Europe

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Country or type of contributor	Organised by	Arrangements latest status	Anticipated sterling amount at 31 Dec 2010 FXRate
EUROPE			
European Union	European Commission	Direct payment from EU budget on behalf of the European Union on an annual basis through 2013	3,658,180
EU member states	National contributions to supplement EU-wide contribution	National systems organised by: the Spanish operator of all stock markets and financial systems (BME), the French Ministry of Finance, the German Accounting Standards Committee (DRSC), the Netherlands Ministry of Finance, the Italian Standard Setter (OIC), and the UK Financial Reporting Council	1,903,632 (amount subject to increase)
Non EU			
Switzerland	Swiss Business Associations	Contributions administered by Swiss business associations	183,626
Norway	Norwegian standard-setter (Norsk Regnskapsstiftelse)	Direct contribution on behalf of Norway	45,000

Expected financing contributions 2011 Americas

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Country or type of contributor	Organised by	Arrangements latest status	Anticipated sterling amount at 31 Dec 2010 FXRate
AMERICAS			
United States	Individual companies and organisations	Voluntary contributions; further discussions with the US are ongoing	1,887,437
Canada	Canadian Institute of Chartered Accountants	Direct contribution on behalf of Canada	526,552
Brazil	Accounting Standards Committee (CPC); the Brazilian Development Bank (BNDES)	Direct contributions on behalf of Brazil	396,784

Expected financing contributions 2011

Asia-Oceania

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Country or type of contributor	Arrangements latest status	Anticipated sterling amount at 31 Dec 2010 FXRate	
ASIA-OCEANIA			
Japan	Financial Accounting Standards Foundation	Levy-like system established through FASF	1,803,694
China, excluding Hong Kong SAR	China Accounting Standards Committee; Ministry of Finance	Financing system arranged by the Ministry of Finance	834,208
Australia	Australian financial reporting regulatory body (FRC)	Annual payment on behalf of private and public stakeholders in the Australian accounting standard-setting process	655,261
Korea	Korea Accounting Standards Board (KASB)	Financing system arranged by the KASB	322,088
India	Major stock exchanges	Direct contributions on behalf of India	257,671

Expected financing contributions 2011

Asia-Oceania *continued*

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Country or type of contributor	Organised by	Arrangements latest status	Anticipated sterling amount at 31 Dec 2010 FXRate
Hong Kong SAR, China	Hong Kong Securities and Futures Commission (SFC) ; the Monetary Authority (HKMA) and Hong Kong Exchanges (HKEX)	Direct contributions on behalf of Hong Kong	125,614
New Zealand	Accounting Standards Review Board (ASRB)	Direct contribution on behalf of New Zealand	100,088
Singapore	Monetary Authority of Singapore (MAS) and Ministry of Finance	Direct contributions on behalf of Singapore	59,663
Malaysia	Malaysian Accounting Standards Board (MASB)	Direct contribution on behalf of Malaysia	41,871
<i>Funding efforts are proceeding in other countries in the Asia-Oceania region</i>			

Expected financing contributions Africa

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Country or type of contributor	Organised by	Arrangements latest status	Anticipated sterling amount at 31 Dec 2010 FXRate
AFRICA			
South Africa	Financial Reporting Council	Contribution raised through levies	45,092
Nigeria	Nigerian Accounting Standards Board	Direct contribution on behalf of Nigeria	64,418

Expected financing contributions

Other contributions

Country or type of contributor	Organised by	Arrangements latest status	Anticipated sterling amount at 31 Dec 2010 FXRate
CENTRAL BANKS AND INTERNATIONAL ORGANISATIONS			
Central banks and international organisations	Various bodies	Contributions on behalf of central banks	277,124
INTERNATIONAL ACCOUNTING FIRMS			
Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers	Direct payments	Voluntary contributions	5,797,587
BDO and Grant Thornton	Direct payments	Voluntary contributions	193,253
Mazars	Direct payments	Voluntary contributions	64,418
OTHER SOURCES OF INCOME			
The IFRS Foundation also receives additional funding to finance its standard-setting and XBRL activities through its publications, educational and related activities.			
NOTES:			
The amounts shown in the column 'Anticipated amount in local currency*' are rounded to the nearest thousand. *Subject to change due to ongoing efforts and based upon best estimates.			

Summary of Revenue Sources 2011

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Source of revenue	£ '000s	%
Publicly sponsored/Nationally administered financing regimes	11,024	48%
Funding through direct voluntary contributions (excluding accounting firms)	1,887	8%
Contributions from international accounting firms	6,055	26%
Central Banks and international institutions	277	1%
Contributions through waived trustee fees	110	0.5%
Publications and related activities, net	3,555	15.5%
Interest income & honoraria	279	1%
Total Revenue	23,187	100%

Contributions – Country Breakdown TBC

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Contributions - Country Breakdown			
	Expected Funding 2011 (GBP)	Base Budget (GBP)	
		Requirement	GAP
European Union	5,561,812	4,258,887	1,302,926
United States	1,887,437	3,691,541	(1,804,104)
Japan	1,803,694	1,312,331	491,363
China	834,208	897,091	(62,883)
Brazil	396,784	287,648	109,137
Canada	526,552	346,056	180,496
India	257,671	225,868	31,802
Russia	0	318,298	(318,298)
Australia	655,261	258,217	397,044
Mexico	0	159,884	(159,884)
Korea	322,088	215,572	106,516
Turkey	0	159,334	(159,334)
Indonesia	0	98,568	(98,568)
Switzerland	183,626	128,078	55,548
Norway	45,000	99,170	(54,170)
Saudi Arabia	0	67,555	(67,555)
Argentina	0	56,663	(56,663)
South Africa	45,092	52,488	(7,395)
Hong Kong SAR	125,614	54,567	71,047
Israel	0	50,448	(50,448)
Malaysia	41,871	34,989	6,883
Nigeria	64,418	31,693	32,725
Singapore	59,663	45,867	13,796
Chile	0	29,565	(29,565)
New Zealand	100,088	30,502	69,586
TOTAL	12,910,879	12,910,879	(0)