



ANNUAL REPORT
2019
IFRS® FOUNDATION



IFRS Foundation
International Accounting Standards Board



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About us

The IFRS Foundation is a not-for-profit organisation established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting standards—IFRS® Standards—and to promote and facilitate their adoption.

IFRS Standards are set by the Foundation's standard-setting body, the International Accounting Standards Board, which in turn is aided by the IFRS Interpretations Committee in supporting consistent application of the Standards.

The IFRS Foundation Trustees, who are accountable to a Monitoring Board of public authorities, are responsible for strategy and governance.

The Foundation was founded in 2001 and is headquartered in London, United Kingdom, and has a regional Asia-Oceania office in Tokyo, Japan.

Our mission statement

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.

Transparency



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.

Accountability



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 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.

Efficiency



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.

About this report

This report covers the financial year ended 31 December 2019 and was published in June 2020.

An inline XBRL version can be found in the annual report section of our website: www.ifrs.org/about-us/who-we-are.

We have sought to keep this report concise, with links to further information on our website. If you have questions that you can't find the answers to in this report, general feedback on the report, or if you would like to receive a printed copy, please email communications@ifrs.org.



Reports

Enhancing our relevance in a changing world

Report from the Chair of the IFRS Foundation Trustees

Responsible for the governance and oversight of the IFRS Foundation and the International Accounting Standards Board, the Trustees focused on stakeholder relationships and organisational strategy in 2019.



During my first full year as Chair of the IFRS Foundation Trustees, I have invested much time meeting with stakeholders around the world, discussing their views and considering how their feedback might help shape the Foundation's priorities.

The overriding message I have received is strong support for the Foundation's work and its mission, with encouragement to ensure that we continue to adapt to evolving stakeholder needs—hence the focus of this annual report on strengthening relevance in a changing world.

Enhanced focus on strategic matters

In 2019, the Trustees have spent time considering our global strategic focus ahead of our next strategic review, while also continuing to oversee the Board's work to develop and maintain IFRS Standards and support their consistent application. Notable examples of this strategic focus include:

- the Trustees' Due Process Oversight Committee revising the Due Process Handbook, which the Board and the Interpretations Committee follow when developing and maintaining our Standards;
- the Nominating Committee leading the process to appoint or reappoint Trustees, a new Chair and other members of the Board, members of the IFRS Interpretations Committee

and members of the IFRS Advisory Council; and

- the newly formed Business Processes and Technology Committee guiding and overseeing the multi-year, multi-million pound digital transformation of the Foundation.

Indeed, a defining feature of 2019 has been the enhanced role played by the Trustee committees—in their operational responsibilities and in helping to shape our future strategy.

Priorities for 2020 and beyond

Our work helps to prepare the ground for the next review of the strategy and of the Foundation's *Constitution*, due to begin towards the end of 2020. An important part of our role as Trustees is monitoring emerging trends and their effect on the work and responsibilities of the Foundation and the Board.

Corporate reporting has evolved since the last strategic review, five years ago. Most investors use financial information published electronically and they pay far greater attention to sustainability and other non-financial reporting topics. We and the Board will seek feedback on these trends during our respective upcoming public consultations.

Furthermore, appointing a Board Chair to replace Hans Hoogervorst, who will step down in June 2021 after his second

five-year term, will be an important task for the Trustees.

Covid-19

Finally, this report would not be complete without mentioning the covid-19 pandemic that, at the time of writing, has led to an international public health emergency and a corresponding shutdown of many parts of the global economy. The Trustees' main priority has been the wellbeing of our staff and stakeholders around the world.

We closed our London office in March and the staff have coped admirably with the transition to remote working, due in large part to having appropriate technology solutions in place.

The Trustees fully back efforts by the Board and staff to support stakeholders by responding to covid-19-related questions about applying IFRS Standards and by adjusting the Board's work plan to defer less critical consultations.

Thank you

I would like to thank my fellow Trustees, members of the Board, staff and the many stakeholders around the world for the continued support for our mission. I wish you all well during these challenging times.

Erkki Liikanen

Enhancing the relevance of IFRS Standards

Report from the Chair of the International Accounting Standards Board

Companies and markets continuously adapt to changes in the business, economic and technological landscape. Similarly, IFRS Standards must also evolve to remain relevant in meeting the financial information needs of investors. This is the primary work of the Board.



To meet this objective, during the last decade we introduced four major new Standards: IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*. All but IFRS 17 are now in use, with IFRS 17 effective from 2023.

As we enter a new decade, our focus is on enhancing the communication effectiveness of financial reports. We have named this effort Better Communication in Financial Reporting and made good progress in 2019. We also put much effort into supporting consistent application of our Standards.

Some of our priority projects in 2019 were:

Primary Financial Statements. In response to investors' needs, we are overhauling the way companies provide financial performance information in the financial statements. In December, we published Exposure Draft *General Presentation and Disclosures*, a proposed new Standard, and initial reactions have been encouraging. I believe the proposals could be game changers—in boosting comparability in the income statement and increasing transparency and discipline around management-defined performance measures— and look forward to hearing from stakeholders and discussing their views.

Management Commentary. We are revising our guidance to companies on the provision of information that

complements the financial statements. While financial statements provide the foundation for investors' decisions, they cannot provide the whole story. The project addresses information needed to understand a company's longer-term prospects—its business model, its intangible resources and relationships, its progress in fulfilling its strategy and climate-related factors where relevant.

Disclosures, Goodwill and Impairment. We are seeing whether improvements can be made to the information companies provide about mergers and acquisitions, and whether change is warranted in the accounting for goodwill. We have set out some early stage thinking in Discussion Paper *Business Combinations—Disclosure, Goodwill and Impairment* and look forward to hearing views before deciding how to proceed.

IFRS 17. We have worked hard to help the market prepare for the introduction of IFRS 17 *Insurance Contracts*, working alongside market participants and supervisors to ensure a smooth transition to the new Standard. As part of this work, we issued some targeted amendments to IFRS 17 in June 2020.

2020 priorities

During 2020 we had expected to undertake various important consultations. However, the covid-19 pandemic has resulted in challenging times for many of our stakeholders. We understand they may have different

priorities and we have, therefore, decided to extend the comment periods on some consultation documents.

We will prioritise time-sensitive projects such as the one dealing with the effect of interest rate benchmark reform on financial reporting, and the IFRS 17 amendments. In addition, we have dedicated resources to support application of IFRS Standards where covid-19 has raised questions.

We will also continue to work with the Interpretations Committee to support the consistent application of our Standards and with the IFRS Taxonomy Consultative Group to develop the IFRS Taxonomy—our system for electronic tagging of financial statements.

Finally, we will advance the preparations for our next agenda consultation, which will help determine which technical projects the Board should work on in the years ahead. We expect to publish this consultation early 2021 to inform the Board's work from 2022 to 2026.

We appreciate the support and engagement from all our stakeholders in helping us continue delivering improvements that matter.

Hans Hoogervorst

Enhancing accountability and governance

Report from the Chair of the IFRS Foundation Monitoring Board

The mission of the Monitoring Board is to monitor the Foundation, whose Trustees in turn are responsible for the oversight of the Board.



The Monitoring Board's objective is to reinforce the Foundation's public interest remit and the Trustees' responsibilities in promoting the development of a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards.

High-quality financial information is the foundation for effective, fair and transparent capital markets. It underpins investors' confidence in these markets and facilitates optimal capital allocation. The application of high-quality financial reporting standards is the cornerstone for high-quality financial reporting.

The formal relationship between the Monitoring Board and the Foundation enables the Monitoring Board members to fulfil their mandate to protect investors, ensure market integrity and facilitate and promote capital formation.

Our priorities in 2019 focused on three objectives:

1. Regulatory and policy matters and market developments

In 2019, we strengthened our engagement with the Trustees on broad regulatory and policy matters and developments that could potentially affect financial reporting. I believe it is essential that accounting standards are kept up to date to reflect changes in the business environment and business practices. Monitoring Board members and Trustees have continued to deliberate on the challenges as well

as the opportunities posed by FinTech and emerging innovative technologies, which could potentially affect financial reporting in the future.

The Monitoring Board and the Foundation share an interest in enhancing comparability, which requires IFRS Standards to be consistently applied in many jurisdictions. The growth in the number of jurisdictions using the Standards, the number of new, significant Standards, and the perceived growing complexity of IFRS Standards, has focused attention on promoting consistent application. We continued discussing the initiatives and efforts by the Foundation, Board and Interpretations Committee to support consistent application.

2. Nominations

We approved the nomination of three new Trustees to the Foundation who started their terms 1 January 2020. They bring a wealth of international experience, a deep knowledge of corporate reporting and a profound understanding of the financial sector.

As a group of public authorities, the Monitoring Board has a duty to contribute to ensuring that the constitutional arrangements for the Foundation are adequately applied. To this effect, we continue to support a body of Trustees that brings together globally respected, experienced and competent individuals with a clear public interest focus, and who are

fully committed to supporting the development and consistent application of IFRS Standards around the globe.

3. Due process

Given the relevance of the *Due Process Handbook* in setting the due process principles that apply to the Board and the Interpretations Committee, the Trustees' review of the *Handbook* was a priority in our work plan. The Monitoring Board—its principals and deputies—has regularly discussed with the Trustees their proposed revisions to the *Handbook*, published in an exposure draft in 2019, and the feedback from stakeholders on the proposals. Our attention focused on those regarding agenda decisions and effects analyses. We will continue to monitor the developments until the review is finalised in 2020.

Thank you

I would like to express my gratitude to Monitoring Board members, our Deputies Working Group and the Secretariat for their support. I look forward to continuing to work closely with the Trustees, the Board and global stakeholders to support our common objective of achieving high-quality financial reporting.

Jean-Paul Servais



Our organisation

Our objectives

The IFRS Foundation's objectives are set out in our *Constitution*. In short, they are to:

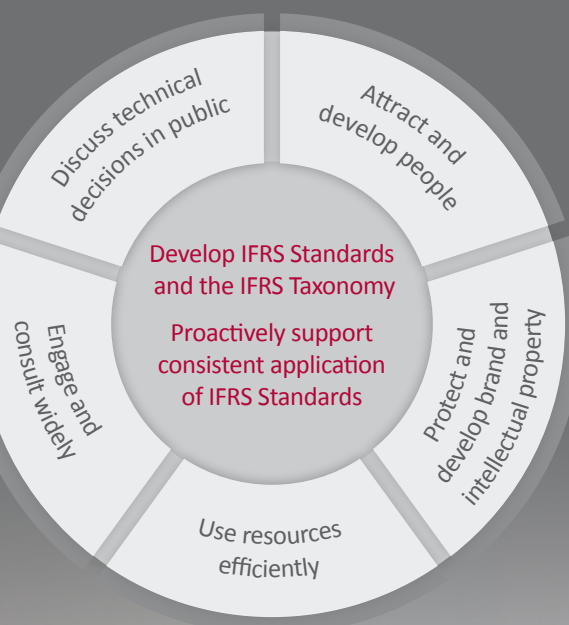
- develop a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles;
- promote the use and rigorous application of those standards;
- take account of the needs of varied sizes and types of companies in diverse economic settings; and
- promote and facilitate adoption of those standards.

How we create value

Resources

- Empowered employees
- IT and office infrastructure
- Global network of engaged stakeholders and partners
- A transparent due process for standard-setting
- Finances: donations and self-generated income
- Intellectual property, brand and reputation for independence

Activities



Outcomes

- Increased transparency in financial reporting around the world
- Strengthened accountability in the financial markets
- Lower capital costs and reduced reporting costs for companies
- Improved trust, growth and long-term stability in the global economy



How we work

In developing IFRS Standards and the IFRS Taxonomy, and supporting consistent application of the Standards, the Board and the IFRS Interpretations Committee follow a due process based on three principles.

Transparency

All technical discussions and decisions made by the Board and the Interpretations Committee take place in public meetings so that interested parties can follow the progress of technical projects. Meeting papers are published on our website in advance. The meetings are broadcast live via our website and our stakeholders can also observe them in person at our London offices. Written summaries, video and audio recordings are published on our website shortly after the meetings.

Full and fair consultation

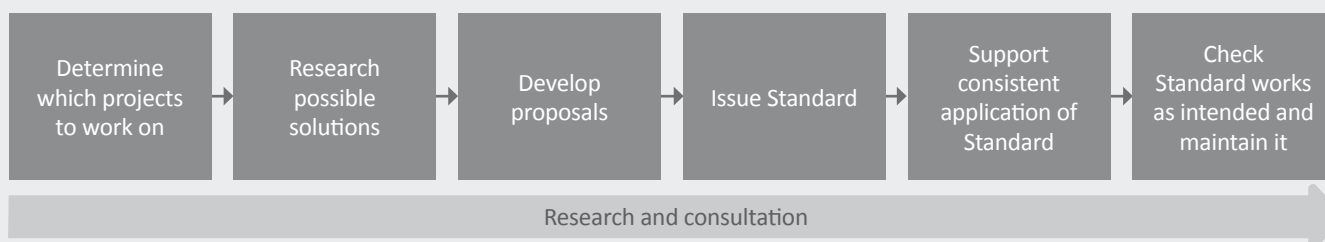
The Board and the Interpretations Committee consult on proposals to introduce or change our Standards, proposed interpretations of a Standard and tentative agenda decisions to enable all those who are affected by our Standards to share their views. Feedback to these consultations is published online. The consultation process also typically includes meetings and discussions with advisory groups, consultative bodies and others.

Accountability

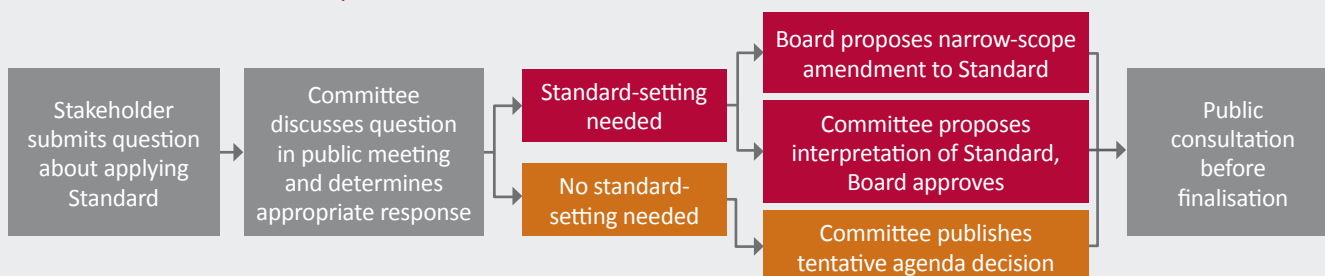
The Board analyses the likely effects—costs and benefits—of its proposals on those affected by them and explains the rationale for developing or amending a Standard. The Board's effects analysis takes place throughout the development of a Standard. When the Board issues major Standards, it also publishes separate effects analysis reports.

The Trustees' Due Process Oversight Committee is responsible for maintaining the due process, which is described in detail in the *Due Process Handbook*.

The work of the Board










The work of the Interpretations Committee




Our stakeholders and how we engage

Effective stakeholder engagement is a prerequisite for the Foundation achieving its objectives. The Foundation publishes formal consultation documents and we also engage with different stakeholder groups, tailoring that engagement to their needs.

Stakeholders	Why?	How?
 Academia	Provide high-quality research, teach students about IFRS Standards	Annual academic research forum, literature reviews as part of the Board's standard-setting work, student group visits to the Foundation's offices
 Accounting profession and auditors	Promote, develop and support accountants worldwide, audit financial statements	Joint conferences and events, regular meetings, cooperation with International Federation of Accountants
 Accounting standard-setters	Provide local knowledge and relationships, technical expertise and standard-setting experience, play a role in endorsement of Standards	Annual conference for standard-setters, meetings with the Accounting Standards Advisory Forum, the Emerging Economies Group*, and the International Forum for Accounting Standard Setters, regular engagement with individual standard-setters
 Companies	Use our Standards when preparing financial statements, provide important input to consultations and feedback on application of Standards	Meetings with the Global Preparers Forum (advisory group consisting of preparers of financial statements), regular meetings, conferences, education and explanatory materials
 Funding providers	Provide financial support	Regular updates and engagement
 Investors	Use financial reports, provide important input and feedback to the standard-setting process	Meetings with the Capital Markets Advisory Committee (advisory group consisting of users of financial statements), Investors in Financial Reporting programme, dedicated investor relations team, regular communication and meetings
 Media	Publish information about technical developments to a wider audience	Press office, regular communication and briefings

*The Trustees thank the Chinese Ministry of Finance for providing the permanent secretariat for the group.

Stakeholders	Why?	How?
 <p>Other standard-setters</p>	Provide subject-matter expertise	Cooperation and regular engagement with standard-setting organisations and forums
 <p>Policy makers</p>	Make decisions about adoption, endorsement and funding	Regular meetings and events
 <p>Regulators</p>	Enforce use of our Standards, provide subject-matter expertise	Cooperation and regular meetings, including with the Basel Committee on Banking Supervision, European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO)



Our people

To deliver the Foundation’s mission we need to have the right people with the right skills and expertise.

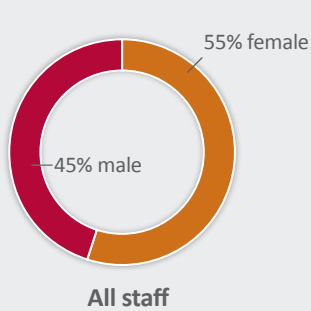


We are proud of our diverse workforce. We believe this diversity is key to the strong performance of the Foundation. In 2019 our 150 staff came from six different continents and 36 countries, bringing different perspectives and experiences to our work.

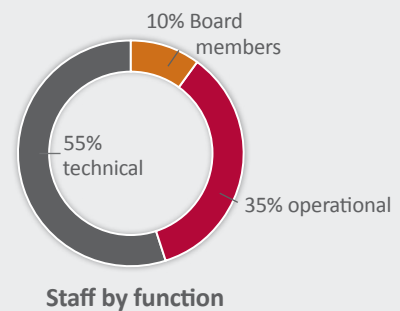
The majority—85% of our staff—hold university or equivalent degrees.

To ensure our staff thrive and perform their best we:

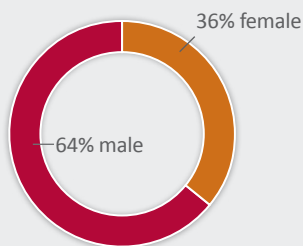
- invest in their development by offering a range of training and learning opportunities;
- celebrate our inclusive and diverse culture;
- invest in the technology and tools they need to do their job well; and
- focus on their wellbeing.



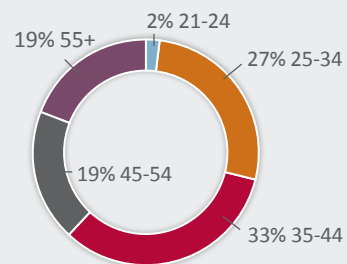
All staff



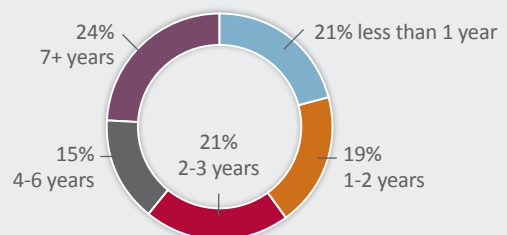
Staff by function



Board members



Staff age distribution



Staff length of service

All data as at 31 December 2019.

International Accounting Standards Board

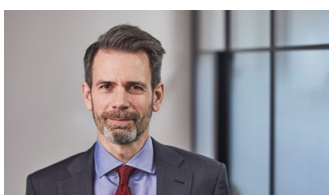
At 31 December 2019



Hans Hoogervorst
Chair
From: The Netherlands
Region: Europe
Second term ends
30 June 2021



Sue Lloyd
Vice-Chair
From: New Zealand
Region: at large
Second term ends
31 December 2023



Nick Anderson
From: United Kingdom
Region: Europe
First term ends
31 August 2022



Darrel Scott
From: South Africa
Region: Africa
Second term ends
30 September 2020



Tadeu Cendon¹
From: Brazil
Region: Americas
First term ends
30 June 2024



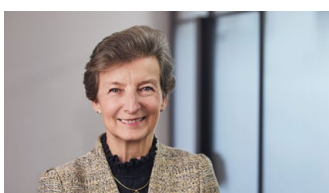
Tom Scott
From: Canada
Region: Americas
First term ends
31 March 2022



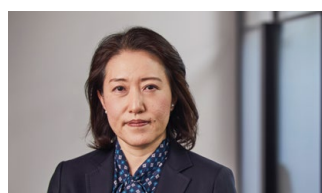
Martin Edelmann
From: Germany
Region: Europe
Second term ends
30 June 2021



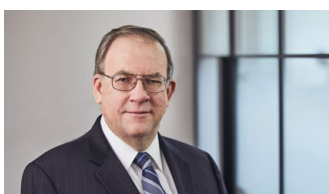
Chungwoo Suh
From: South Korea
Region: Asia-Oceania
Second term ends
30 June 2020



Françoise Flores²
From: France
Region: Europe
First term ends
31 December 2021



Rika Suzuki¹
From: Japan
Region: Asia-Oceania
First term ends
30 June 2024



Gary Kabureck
From: United States
Region: Americas
Second term ends
30 June 2020



Ann Tarca
From: Australia
Region: Asia-Oceania
First term ends
30 June 2022



Jianqiao Lu
From: China
Region: Asia-Oceania
First term ends
31 August 2022



Mary Tokar
From: United States
Region: Americas
Second term ends
30 June 2022

Amaro Gomes and Takatsugu Ochi completed their second terms on 30 June 2019.

Further information about the Board members, including their biographies, can be found at www.ifrs.org/groups/international-accounting-standards-board.

The geographical balance of the Board is set out in the *Constitution*.

¹ Joined the Board 1 July 2019

² Part-time Board member

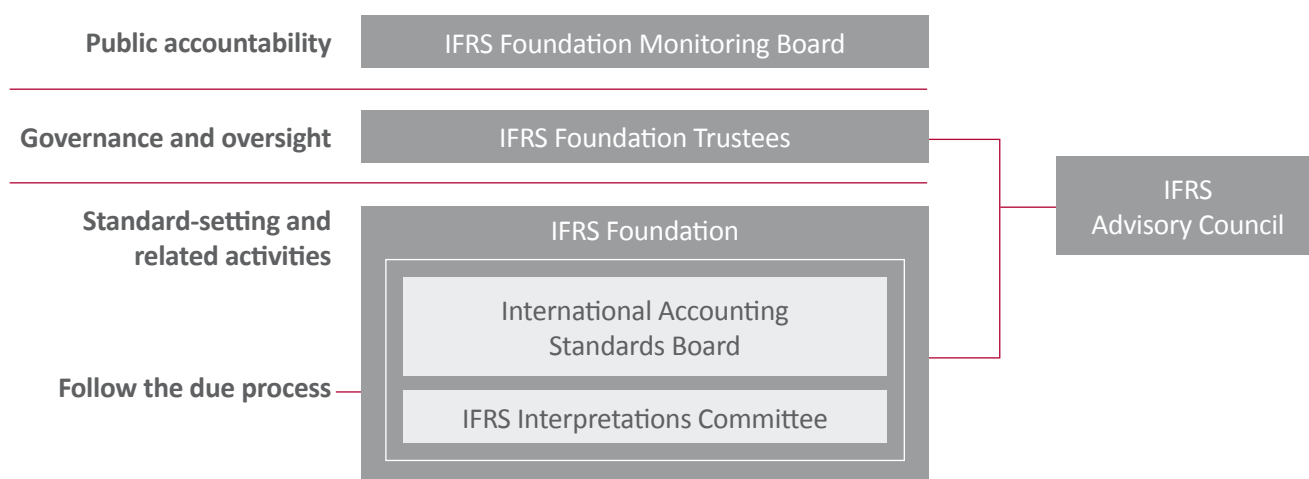


Governance

Our structure

At 31 December 2019

The IFRS Foundation's three-tier governance structure is designed to keep standard-setting independent of special interests and deliver a high level of accountability to stakeholders from around the world.



The **Monitoring Board** is a group of capital market authorities responsible for setting the form and content of financial reporting in their jurisdiction. It reinforces the public interest oversight of the IFRS Foundation and the Trustees. The Monitoring Board is responsible for approving all Trustee appointments. See page 61.

Chair: Jean-Paul Servais

The **Trustees** are 22 individuals from all over the world and with various professional backgrounds. They maintain the IFRS Foundation's *Constitution* and appoint members to the Board and its advisory bodies. They also ensure appropriate financing is in place, review the Foundation's strategy and make sure that the organisation follows the due process set out in the *Due Process Handbook*. See page 18.

Chair: Erkki Liikanen

The **Board** is the independent standard-setting body of the Foundation. Its 14 members are appointed from varied national and professional backgrounds, including academia, accountancy, investment, preparation of financial statements, regulation and standard-setting. The Board issues IFRS Standards, the *IFRS for SMEs*[®] Standard and the IFRS Taxonomy. See page 15.

Chair: Hans Hoogervorst

The **IFRS Interpretations Committee** comprises 14 external members and a non-voting chair that works with the Board by responding to questions about applying IFRS Standards. The Committee proposes the Board makes narrow-scope amendments to the Standards, develops proposed IFRIC[®] Interpretations of the Standards and publishes agenda decisions. See page 60.

Chair: Sue Lloyd

The **IFRS Advisory Council** is the formal strategic advisory body to the Trustees, consisting of representatives from wide-ranging groups affected by and interested in the Foundation's work. See page 58.

Chair: Joanna Perry

Trustees of the IFRS Foundation

At 31 December 2019



Erkki Liikanen (Europe)
Chair

Former Governor of the Bank of Finland
First term ends 30 September 2021
Attendance 2019: 3 of 3 meetings



Sheila Fraser (Americas)
Vice-Chair

Former Auditor General of Canada
Second term ended 31 December 2019
Attendance 2019: 3 of 3 meetings



Takafumi Sato (at large)
Vice-Chair

Former President of Japan Exchange Regulation
Second term ends 31 December 2020
Attendance 2019: 3 of 3 meetings

Sarah J. Al Suhaimi (at large)

Chair of the Board of Directors of Tadawul, the Saudi Stock Exchange
First term ends 31 December 2021
Attendance 2019: 2 of 3 meetings

Colette Bowe (Europe)

Former Chair of the UK Banking Standards Board
First term ends 31 December 2020
Attendance 2019: 2 of 3 meetings

Su-Keun Kwak (Asia-Oceania)

Professor of Accounting at Seoul National University
Second term ends 31 December 2022
Attendance 2019: 3 of 3 meetings

Guillermo Babatz (Americas)

Managing Partner at Atik Capital, S.C.
Second term ends 31 December 2021
Attendance 2019: 3 of 3 meetings

Werner Brandt (Europe)

Former Board member and CFO of SAP SE
Second term ends 31 December 2020
Attendance 2019: 2 of 3 meetings

Larry Leva (Americas)

Former Global Vice-Chairman—Quality, Risk and Regulatory for KPMG International
First term ends 31 December 2020
Attendance 2019: 3 of 3 meetings

Alan Beller (Americas)

Senior Counsel at Cleary Gottlieb Steen & Hamilton LLP
Second term ends 31 December 2020
Attendance 2019: 3 of 3 meetings

Suresh P. Kana (Africa)

Former Chair of the Financial Reporting Standards Council of South Africa
First term ends 31 December 2021
Attendance 2019: 3 of 3 meetings

Michel Madelain (at large)

Former Vice-Chairman and President of Moody's Investors Service
First term ends 31 December 2020
Attendance 2019: 3 of 3 meetings

Else Bos (Europe)

Member of the governing Board, Executive Director and Chair for Prudential Supervision at the Dutch Central Bank
Second term ends 31 December 2022
Attendance 2019: 2 of 3 meetings

Teresa Ko (Asia-Oceania)

Chairman of Freshfields Bruckhaus Deringer
First term ends 31 December 2020
Attendance 2019: 3 of 3 meetings

Kazuyuki Masu (Asia-Oceania)

Executive Vice President, CFO and a member of the Board of Mitsubishi Corporation
First term ends 31 December 2021
Attendance 2019: 2 of 3 meetings

Ross McInnes (Europe)

Chairman of the Board of Safran
 First term ends 31 December 2020
 Attendance 2019: 2 of 3 meetings

Vinod Rai (Asia-Oceania)

Former Comptroller and Auditor General of India
 First term ends 31 December 2020
 Attendance 2019: 3 of 3 meetings

Lucrezia Reichlin (Europe)

Professor of Economics at the London Business School
 First term ends 31 December 2020
 Attendance 2019: 3 of 3 meetings

Maria Helena Santana (Americas)

Former Chair and President of the Securities and Exchange Commission of Brazil
 Second term ended 31 December 2019
 Attendance 2019: 2 of 3 meetings

Kurt Schacht (Americas)

Managing Director of CFA Institute's Standards and Advocacy Division
 Second term ends 31 December 2020
 Attendance 2019: 3 of 3 meetings

Lynn Wood (Asia-Oceania)

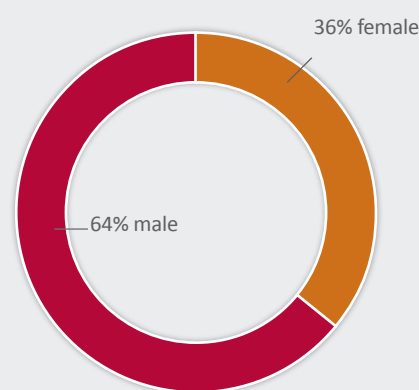
Former Chairman of the Australian Financial Reporting Council
 Second term ended 31 December 2019
 Attendance 2019: 3 of 3 meetings

Guangyao Zhu (Asia-Oceania)

Former Vice Finance Minister of the People's Republic of China
 Second term ends 31 December 2022
 Attendance 2019: 3 of 3 meetings

Trustees' gender and geographical balance

The *Constitution* requires the Trustees to be appointed from varied professional backgrounds and geographical regions.



Data is as at 31 December 2019.

Africa	1
Americas	6
Asia-Oceania	6
Europe	6
At large*	3

* The 'at large' category comprises Trustees from any region to ensure an appropriate balance.

New Trustees serving from 1 January 2020:

Alexsandro Broedel, Joanna Perry and Maria Theofilaktidis.

Further information about the Trustees, including their biographies, can be found at www.ifrs.org/groups/trustees-of-the-ifrs-foundation.

Trustee committees

The Trustees meet three times a year and operate through several committees. In 2019, the meetings took place in Kuala Lumpur, Malaysia; Munich, Germany; and New York, United States.

The following committees met in 2019.

Audit, Finance and Risk Committee

Responsible for reviewing the Foundation's annual budget, accounts, plans and forecasts. The Committee also reviews the Foundation's operating funds and oversees its financial policies as well as its compliance and risk reports.

Meetings in 2019: 5

Chair: Werner Brandt (Jan-May), Larry Leva (June-Dec)

Business Processes and Technology Committee

Responsible for overseeing the Foundation's multi-year project to update its technology infrastructure, digital experience and related business processes. This committee was established in 2019.

Meetings in 2019: 3

Chair: Werner Brandt

Due Process Oversight Committee

Responsible for ensuring that the Board and Interpretations Committee follow the *Due Process Handbook*. The Committee's meetings are public.

Meetings in 2019: 7

Chair: Alan Beller

Human Capital Committee

Responsible for oversight of the Foundation's people management to ensure that it meets the organisation's needs.

Meetings in 2019: 3

Chair: Takafumi Sato

Nominating Committee

Responsible for appointments to the Trustees, the Board, IFRS Interpretations Committee and IFRS Advisory Council; also responsible for appointing the Executive Director.

Meetings in 2019: 3

Chair: Sheila Fraser

Focus

Jill Robinson

Senior Governance Officer



Joined: July 2001

From: United Kingdom

I work closely with the Trustees' Nominating Committee to ensure the right people are appointed to the right positions. Recruiting for the Board, Interpretations Committee, Advisory Council and Trustees has a lot of moving parts. My job is to manage these processes and to begin building relationships with the people we bring on board.

Focus

Trustees' outreach activities

Trustees routinely meet with senior stakeholders from around the world. These meetings provide the Trustees with important insight into how the Foundation and IFRS Standards are viewed which is essential for the Trustees to work effectively.

In addition to individual Trustee outreach, the Foundation hosts stakeholder events to coincide with the three Trustee meetings each year, normally in association with a local partner.

During 2019, Trustees jointly hosted stakeholder events in Kuala Lumpur, Malaysia, with the Malaysian Accounting Standards Board; Munich, Germany, with the Accounting Standards Committee of Germany; and in New York, United States, with CFA Institute.



Tan Sri Azlan Zainol, Chairman of the Financial Reporting Foundation, delivered the opening remarks in Kuala Lumpur.



Panel discussion in Munich, featuring Matthias Meitner, International School of Management; Ute Wolf, Evonik Industries; Jörg Rocholl, ESMT; Hans Hoogervorst, International Accounting Standards Board; and Andreas Barckow, Accounting Standards Committee of Germany.



Keynote presentation by Bob Pozen, former Chairman of MFS Investment Partners, at the event in New York.



Panel discussion moderated by Jason Zweig (WSJ), featuring Hans Hoogervorst and FASB Chair Russ Golden in New York.

Risks and how we mitigate them

The IFRS Foundation's Executive Risk Committee identifies, evaluates and manages the risks the Foundation faces. It reports to the Trustees' Audit, Finance and Risk Committee.

In 2019 the principal risks identified for management were as follows:

Brand

- The risk that the Foundation fails to protect its reputation as a professional and competent global accounting standard-setter.
- The risk that the Foundation is perceived to lose its organisational relevance.

Geopolitical

- The risk that reduced support for globalisation affects the Foundation, including support for adoption of IFRS Standards in some jurisdictions.

Product

- The risk that the Foundation fails to develop high-quality IFRS Standards and an IFRS Taxonomy that meet the needs of stakeholders.
- The risk that inconsistent application of IFRS Standards and the IFRS Taxonomy undermines the benefits of global financial reporting.

Technological infrastructure

- The risk of breaches of both the Foundation's IT infrastructure and the data it contains as a result of cyber hacks, phishing campaigns, system failure or human error.

Focus

Our assistant technical staff members



Our assistant technical staff members have a passion for accounting and are recruited for a two-year period to support the teams that work on the Board's standard-setting projects. Typically newly qualified accounting professionals, they bring fresh perspectives and provide an important link to the next generation of financial experts, while gaining valuable international experience and technical accounting knowledge.



From left: Christos Sortsis (Greece), Anuj Deuba (Nepal), Nkumbulo Mabaso (South Africa), Chalani Mohotti (Sri Lanka), Frank Fan (China) and Wenyi Zheng (China; inset)



2019 review and
2020 priorities

2019 review and 2020 priorities— Foundation activities

	2019 activities	2020 priorities
Governance	The Trustees reviewed the <i>Due Process Handbook</i> and published proposed changes to it for public consultation (see page 27).	Publish the revised <i>Due Process Handbook</i> and finalise consequential amendments to the <i>Constitution</i> .
	The Trustees had extensive engagement with the Monitoring Board, including attending a meeting with the Monitoring Board in Munich in June 2019.	Engagement with the Monitoring Board, including a meeting of all Trustees with the Monitoring Board in Brussels, February 2020.
Strategy	The Trustees prepared for their review of the organisation's strategy and effectiveness. This included facilitating a presentation by economist Nicolas Véron, senior fellow at the European think tank Bruegel and at the Peterson Institute for International Economics, during the Trustees' meeting in New York in October 2019.	Continue the Trustees' review of strategy in the changing global conditions and prepare for public consultation.
Financing	The Foundation delivered audited financial statements and the 2018 annual report.	Complete audit of annual financial statements.
	The Trustees reviewed appropriate financing arrangements.	Continue to seek broader diversity in funding.
Stakeholder engagement	The Trustees planned and hosted stakeholder events in Malaysia, Germany and the United States to engage with stakeholders in the region (see page 21).	Enhance Trustee stakeholder engagement on strategic priorities.
	The Foundation organised several events and regular meetings with advisory bodies, consultative groups and other stakeholders, including: <ul style="list-style-type: none"> the annual IFRS Foundation conference, held in London in June, with 300 attendees from over 50 different jurisdictions, with the piloting of an online version of the conference; the annual World Standard-setters Conference in London in September, where standard-setters from more than 65 jurisdictions attended; and the annual academic research forum in partnership with the Journal of International Accounting Research in New Jersey, United States, in October. 	Organise events, including a virtual conference in September to replace the annual IFRS Foundation Conference and the annual World Standard-setters Conference, and regular meetings with our advisory groups.
	To provide a public record of Board members' stakeholder meetings and speaking engagements, the Foundation is publishing a stakeholder engagement register, which is updated quarterly.	Review the effectiveness of the Advisory Council, under the chairmanship of Bill Coen, who was appointed in February 2020.

	2019 activities	2020 priorities
Appointments to key roles	The Trustees appointed and reappointed six Trustees, two Board members, six members to the Interpretations Committee and 16 representatives to the Advisory Council.	Aid the Trustees in appointing Trustees, members to the Interpretations Committee and a Chair and representatives to the Advisory Council.
	The Trustees started the process of searching for a successor to the Chair of the Board, who will complete his second term in June 2021.	Complete the process of finding a successor to the Chair of the Board and appoint successors to the Board members whose terms end in 2020.
Growth and development of our people	The Foundation continued investing in the development of staff through training, coaching and organisation-wide programmes offering instructor-led group learning, combined with the launch of online learning platforms, to give all staff the chance to learn new technical, IT and interpersonal skills.	Continue investing in staff's development and wellbeing.
Efficient and effective operations	The Trustees launched a multi-year digital transformation—Business Processes and Technology—programme to make the best use of technology in supporting staff and delivering value to our stakeholders (see page 26).	Continue developing and implementing the Business Processes and Technology programme, including preparations for website improvements.
	The Trustees established a committee to oversee the programme.	



Focus

Business Processes and Technology (BP&T) programme

Our vision is that by 2021 we will have improved how we work digitally, using modern systems and processes that:

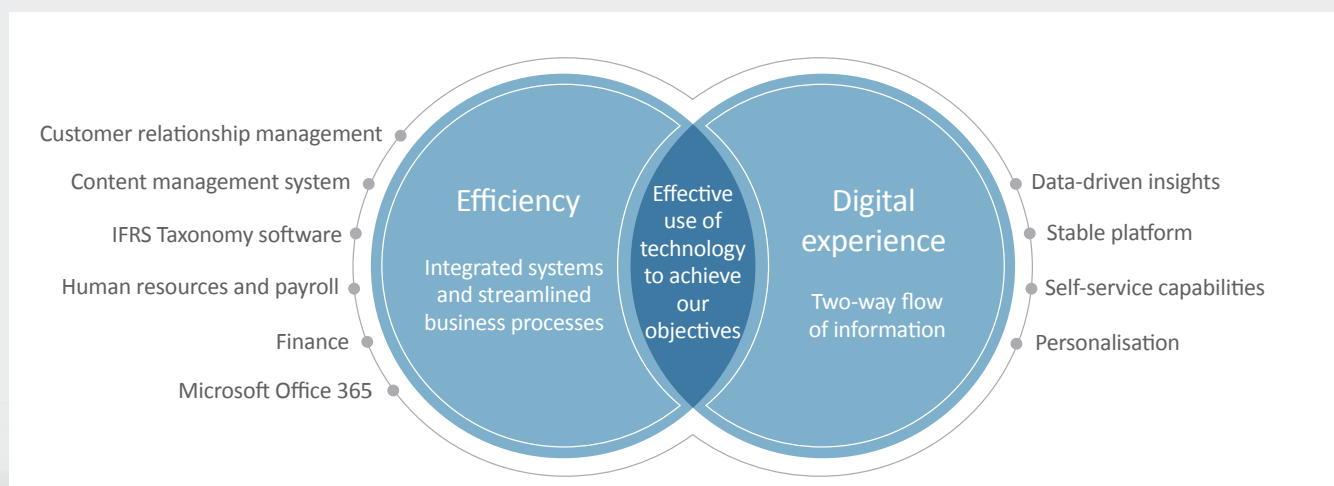
- make our engagement with stakeholders more efficient;
- foster accountability in our interactions; and
- enhance the transparency and robustness of our standard-setting process.

In 2019, we increased our focus on how technological developments affect our work and launched a Business Processes and Technology programme, which will be implemented over three years.

Developments in the programme have so far included the introduction of new human resources, finance, internal engagement and online learning systems, and a new production software system to manage and produce our documents and books.

We have identified and mapped a large volume of business processes that will be examined and adjusted as new systems are implemented during 2020 and 2021, leveraging our ability to automate tasks and improve efficiency across the organisation.

The programme is overseen by a Trustee committee.



Focus

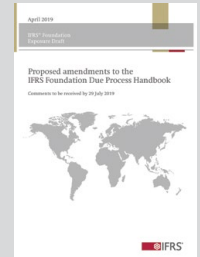
Due Process Handbook Review

The *Due Process Handbook* sets out the procedural requirements for the Board and the Interpretations Committee. The requirements are fundamental to the transparency, quality and legitimacy of the Foundation's work. The Trustees' Due Process Oversight Committee oversees the Foundation's compliance with due process.

In April 2019, the Trustees proposed amendments to the *Handbook* for public consultation. The proposals aim to ensure the due process remains fit for purpose and continues to reflect best practice.

The main proposed changes to the *Handbook*, which will be finalised in 2020, are to update procedures for use of effects analyses in standard-setting and to clarify the role of agenda decisions published by the Interpretations Committee. To reflect review findings, the Trustees approved an amendment to the *Constitution* to specify that the Advisory Council provides strategic advice to the Trustees.

More information about the project can be found at <https://www.ifrs.org/projects/work-plan/due-process-handbook-review>.



Focus

Thomas Hyrkiel
Head of Publishing


Joined: June 2017

From: Poland/Canada

My team and I are responsible for the preparation of all the Foundation's publications—from consultation documents to the books of IFRS Standards. Over the past two years, we have spearheaded an upgrade of the technology we use to publish and disseminate our content in printed and online formats to make our processes more efficient and ensure we can continue to meet our stakeholders' needs as they evolve.

Focus

Wei Shun Tan
Technical Staff Member


Joined: September 2019

From: Singapore

I work in the Foundation's Asia-Oceania office in Tokyo, supporting the Board's various technical projects. I am seconded to the IFRS Foundation from an accounting firm in Singapore and I look forward to being involved in activities that will strengthen the Foundation's relationships in the Asia-Oceania region.

2019 review—Board activities

The Board has made good progress on its Better Communication in Financial Reporting projects. This work has been a central theme since 2016. The project's focus is on improving the information provided to users of general purpose financial reports and the way in which this information is delivered.

Primary Financial Statements	Completed technical discussions and published Exposure Draft <i>General Presentation and Disclosures</i> (see box).
Disclosure Initiative	Published an exposure draft on proposed amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i> . Advanced the project reviewing disclosure requirements in selected Standards (IAS 19 <i>Employee Benefits</i> and IFRS 13 <i>Fair Value Measurement</i>) with a plan to consult publicly in 2021 on proposed improvements.
Management Commentary	Held three meetings with the Board's Management Commentary Consultative Group and held technical Board discussions; a public consultation on proposed revisions to the IFRS Practice Statement 1 <i>Management Commentary</i> will take place in 2020.
IFRS Taxonomy	Published the 2019 IFRS Taxonomy and updated the <i>Using the IFRS Taxonomy—A preparer's guide</i> , proposed a Taxonomy update to reflect the amendments resulting from Phase 1 of the Interest Rate Benchmark Reform project for public consultation (see box).

Focus

Interest Rate Benchmark Reform

In 2018, the Board added a project considering the effects on financial reporting of the reform to replace interest rate benchmarks such as LIBOR—including possible changes to IFRS Standards—to its workplan.

The Board split this project into two phases.

- Phase 1 considered issues affecting financial reporting in the period before new rates are in place. The Board worked to an accelerated timeline to consult on and finalise amendments to the financial instruments Standards, IAS 39 and IFRS 9, addressing uncertainties about contractual cash flows stemming from the reform.
- Phase 2 considers issues that might affect financial reporting once financial instruments or hedges are amended to reflect changes in benchmark interest rates. The Board consulted on further proposed amendments in April 2020 and will issue the final amendments later in 2020.



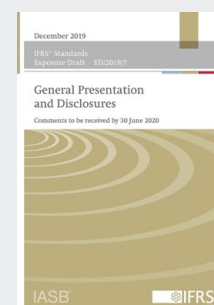
Focus

Primary Financial Statements

In December 2019, the Board published Exposure Draft *General Presentation and Disclosures*—proposing improvements to the way information is communicated in the financial statements, with a focus on financial performance. The proposals respond to investors' needs and include:

- new profit subtotals—including 'operating profit'—in the statement of profit or loss;
- disclosures to improve transparency and discipline around management-defined performance measures; and
- improved guidance to help companies disaggregate information in the most useful way for investors.

The consultation is open for comments until 30 September 2020.



The Board advanced several of its other projects to consultation stage.

2019 exposure drafts

May	Reference to the <i>Conceptual Framework</i> , which proposed amendments to IFRS 3 <i>Business Combinations</i> .
May	Annual Improvements to IFRS Standards 2018–2020.
May	Interest Rate Benchmark Reform, which proposed amendments to IFRS 9 <i>Financial Instruments</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . Final amendments were issued in September (see box on page 28).
May	Proposed amendments to IFRS 17 <i>Insurance Contracts</i> to aid implementation of the Standard. Final amendments were issued in May (see box on page 30).
October	Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which proposed amendments to IAS 12 <i>Income Taxes</i> .

The Board also spent considerable time discussing projects which will result in consultation documents in 2020 or 2021, including: Business Combinations under Common Control, Dynamic Risk Management and Financial Instruments with Characteristics of Equity.

Focus

Comprehensive Review of the *IFRS for SMEs*[®] Standard

The Board is undertaking its second comprehensive review of the *IFRS for SMEs* Standard. As part of the review, the Board is requesting views on its approach to updating the Standard, specifically on whether and how to align the *IFRS for SMEs* Standard with full IFRS Standards. The consultation published in January 2020 is open for comment until 27 October 2020.



Focus

Supporting consistent application of our Standards

When a new Standard is issued, the Foundation develops a range of educational materials to help jurisdictions and companies understand and implement the requirements. For some Standards, the Board establishes a Transition Resource Group to further aid implementation.

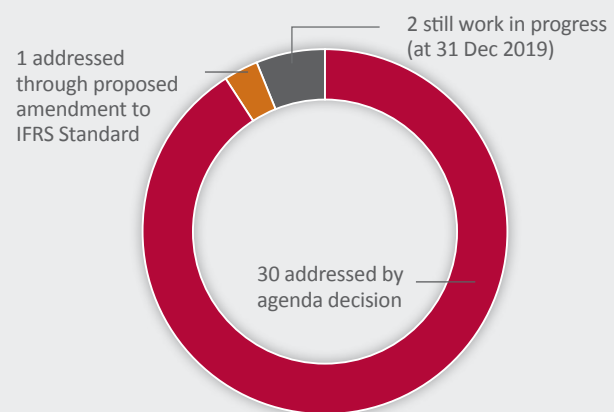
The IFRS Interpretations Committee works with the Board to promote consistent application by responding to application questions from stakeholders. Anybody can submit a question to the Committee. See page 11 for information about the process the Committee follows.

In 2019, the Committee discussed 33 topics, ranging from accounting for holdings of cryptocurrencies to the definition of a lease. Thirty were addressed through the Committee publishing agenda decisions, explaining how the requirements in IFRS Standards apply to the transaction or fact pattern in question. One topic resulted in the Committee recommending that the Board makes narrow-scope amendments to a Standard. Two topics were still work in progress at the end of the year.

Further information on how we support consistent application of our Standards can be found at <https://www.ifrs.org/supporting-implementation>.

To enhance access to the agenda decisions, the Foundation is now providing a compilation of agenda decisions twice a year. The first volume of these was published in October 2019.

Questions to the Interpretations Committee in 2019



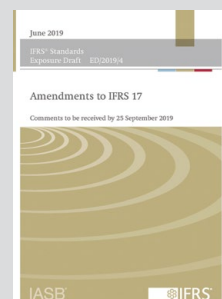
Focus

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* was issued in May 2017. It introduces fundamental and much-needed changes to existing insurance accounting practices, and implementing it involves significant operational costs for insurers.

In June 2019, the Board proposed targeted amendments to IFRS 17 to ease implementation of the Standard by reducing implementation costs and making it easier for companies to explain the results of applying IFRS 17 to investors and others. Feedback received through comment letters and meetings held in many different jurisdictions demonstrated support for the proposed amendments.

The Board issued the amendments in June 2020.



2020 priorities—Board activities

The Board's work plan was adjusted in March and April 2020 in the light of the covid-19 pandemic to ensure we provide appropriate support to our stakeholders and focus the Board's resources on its most time-sensitive projects.

Provide covid-19-related support

Educational materials to support application of IFRS Standards

Accounting for covid-19-related rent concessions, amendment to IFRS 16 *Leases*

Classification of Liabilities as Current or Non-current—Deferral of Effective Date, amendments to IAS 1 *Presentation of Financial Statements*

Finalise time-sensitive projects

IFRS 17 amendments (issued in June 2020, see box on page 30)

IBOR reform and its effect on Financial Reporting—Phase 2 (see box on page 28)

Consult with stakeholders

We expect to publish consultation documents as part of the following projects.

Discussion papers—present accounting problems and possible solutions

- Business Combinations—Disclosures, Goodwill and Impairment (published in March)
- Business Combinations under Common Control

Exposure drafts—present proposed new Standard or amendments to Standards

- Management Commentary
- Rate-regulated Activities

Requests for information—seek information to inform reviews of requirements or priorities

- Comprehensive Review of the *IFRS for SMEs*[®] Standard (published in January) (see box on page 29)
- Post-implementation Reviews of IFRS 10, IFRS 11 and IFRS 12

Other

- Consult on the core model in the Dynamic Risk Management project

Advance other projects

The Board will also work to advance the other projects on its work plan, including the Agenda Consultation, which we expect to consult on in 2021

Develop the IFRS Taxonomy

Propose Taxonomy updates reflecting requirements in IFRS Standards issued during the year and common reporting related to primary financial statements

Follow the Board's work

More information about the Board's projects and how they are progressing can be found at <https://www.ifrs.org/projects/work-plan>.



Financials

Introduction to the financial statements

2019 financial results

The Foundation's financial statements are prepared in accordance with IFRS Standards. The highlights of this year's financial statements are presented below and more details are included in the notes.

- The Foundation is reporting £3.7 million in comprehensive income for 2019, up from £2.9 million in 2018, primarily due to the result of changes in finance income and finance costs (see note 10);
- total revenue from all activities remained practically level at £30.9 million compared to £31.0 million in 2018;
- total operating expenses increased to £28.0 million from £27.2 million in 2018; and
- as of 31 December 2019 the Foundation's net assets increased to £38.1 million from £34.4 million in 2018.

Contributions

In 2019 contributions were £20.0 million, a decrease of £2.0 million from 2018. Most of the funding—£13.8 million or 69%—was received in US dollars and euros (2018: £15.9 million, 72%). All contributions are voluntary, and most are unrestricted; but the contributions from the European Union (2019 and 2018: €4.7 million) and funding for the Asia-Oceania office (2019: £372,000; 2018: £340,000) are made subject to certain conditions for their use. See note 6.

Publications and related activities

Overall, publications revenue increased by £1.9 million to £10.5 million (2018: £8.6 million) in 2019. The increase is attributable to additional licence fees paid under agreements with accounting firms that have increased their access to and use of the Foundation's intellectual property. Subscription revenues decreased to £1.6 million (2018: £1.8 million). Publication sales remained at £1.5 million, aided by the introduction of new products. The Foundation continues to research and develop enhancements to our products to facilitate better access to and understanding of IFRS Standards. See note 7.

The cost of publications and related expenses decreased to £3.5 million (2018: £3.7 million). Net income from publications and related activities increased by £2.1 million, amounting to £7.0 million in 2019.

Expenses

Total operating expenses increased to £28.0 million (2018: £27.2 million). The main changes since 2018 were an increase in the cost of technical and operational activities of £1.8m and a decrease in occupancy costs of £1.0 million. See notes 1 and 3.

Although the Foundation's headcount has remained relatively constant, the organisation has improved its recruitment methods and resource allocation so that the open positions that occur in the normal course of business can be filled more efficiently. In addition, as discussed in note 1, the Trustees' Human Capital Committee reviews, benchmarks and recommends salary and benefit levels. During 2019 the Foundation reconsidered its salary benchmarks as part of a major review of pay, performance and progression.

Focus

How we are funded

Stakeholders contribute to the Foundation in many ways, including by providing funding.

The Foundation's income comes from three main sources: voluntary contributions from jurisdictions around the world; voluntary contributions and license fees from international accounting firms; and self-generated income from subscriptions, selling publications and licensing our intellectual property. The full list of financial supporters in 2019 can be found on pages 54-57.

The Trustees would like to thank our finance providers for their continued support.

More information about our funding can be found at <https://www.ifrs.org/about-us/who-we-are/#funding>.

The Foundation had operating leases for two premises in London in 2018 to allow for the fit-out of its new headquarters in Canary Wharf; the Foundation relocated there in August 2018. In effect, rent and other occupancy-related expenses were duplicated for 2018. See note 3.

Reserves

As of 31 December 2019 the Foundation's reserves were £38.1 million (2018: £34.4 million). The Foundation's goal is to maintain its future operating reserves of cash and working capital equal to the amount of at least one year's operating expenditure. The operating reserve is an unrestricted fund balance set aside to stabilise the Foundation's finances by providing a cushion against unexpected events or losses of income.

2020 outlook

The Foundation acknowledges and appreciates the continuing support by contributors listed on pages 54 to 57. In 2020 the Foundation will

continue to manage its operating expenditure prudently and effectively and it will actively pursue further initiatives to enhance the organisation's operational stability.

The 2020 plan includes the multi-year comprehensive BP&T programme, discussed earlier in this report. The Foundation is undertaking this programme to review and update its IT systems and to improve its digital platform as it considers how best to use technology in delivering its mission. The BP&T programme has a budget of £5.4 million and will last three years.

The organisation's other operating requirements are not expected to increase significantly.

The Foundation's Trustees continue to monitor the covid-19 pandemic (see note 11), the United Kingdom's departure from the European Union, known as Brexit, and the possible resulting risks. As an international organisation working in the public interest with broad support, the Foundation expects minimal disruption to its operations.

Trustee approval

These financial statements cover the year ended 31 December 2019. They have been prepared in compliance with the IFRS Standards that were effective or applied early at 1 January 2019.

The financial statements were approved and authorised for issue by the Trustees of the Foundation on 23 June 2020. At that date, aside from the disclosure in note 11, there had been no events since 31 December 2019 that required an adjustment to the financial statements.



Erkki Liikanen
Chair of the IFRS Foundation Trustees

Focus

Translating IFRS Standards into other languages

The Foundation's working language is English—and our Standards are issued in English. Thus, the availability of high-quality translations is vital to the successful adoption and consistent application of the Standards globally.

We encourage, facilitate and coordinate translation of our Standards into other languages by partners—accounting institutes, regulators, standard-setters and other qualified translating partners.

Our translation team relies on the cooperation, goodwill and resources of the translating partner, working with the Foundation in the common interest of achieving high-quality financial reporting globally. A comprehensive and effective translation process, involving review by a committee of experts, is essential to developing high-quality translations.

The Trustees would like to thank the translating partners and all members of the review committees for providing this important support to the Foundation.

More information about our translation policy and available translations can be found at <https://www.ifrs.org/issued-standards/ifrs-translations>.

Report of the Trustees' Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee has responsibility for:

- reviewing the Foundation's annual budget, accounts, three-year plan and any forecasts;
- reviewing the Foundation's fundraising and financing efforts;
- advising the Trustees on whether the annual report and financial statements are fair, balanced and reasonable;
- advising the Trustees on the appointment, reappointment and removal of the Foundation's external auditors, as well as their effectiveness;
- ensuring an appropriate framework for reporting and accountability; and
- reviewing the Foundation's risk reports and monitoring the integrity, adequacy and effectiveness of the Foundation's system of risk management and internal controls.

The Committee met five times during 2019, including one meeting with the external auditors. As well as its responsibilities set out above the Committee reviewed and revised its terms of reference and initiated reviews of the Foundation's framework for identifying risks and its policy for whistle-blowers.

The Committee commissioned the external auditors to undertake a limited assurance audit of operating expenditure as part of the annual report to the European Commission.

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of the IFRS Foundation (Foundation) for the year ended 31 December 2019, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the state of the Foundation's affairs as at 31 December 2019 and of its profit for the year then ended; and
- have been properly prepared in accordance with IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 UK, including the Financial Reporting Council's (FRC) Ethical Standard, 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19. All audits assess and challenge the reasonableness of estimates made by the Trustees and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Foundation's future prospects and performance.

Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report the effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Foundation's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Foundation associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Foundation's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Trustees' conclusions, we considered the risks associated with the Foundation's business, including effects arising from macro-economic uncertainties such as Covid-19, and analysed how those risks might affect the Foundation's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Foundation will continue in operation.

Overview of our audit approach



- Overall materiality: £621,000, which represents approximately 2% of the Foundation's income.
- Key audit matters were identified as unpaid revenue from publications and related activities and the valuation of forward currency contracts.
- We took a substantive-based approach to our audit as this was considered to be the most effective.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How the matter was addressed in the audit

Unpaid revenue from publications and related activities

As part of our audit risk assessment, we distinguished between paid and unpaid revenue from publications and related activities. The risk of occurrence was considered greater in respect of revenue transactions that had not been settled in cash by the reporting date. We therefore identified the occurrence of this revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Documenting our understanding of the processes and controls over the recording of revenue transactions.
- Performing substantive testing on a sample of transactions and agreeing to relevant supporting documents to confirm the correct timing of revenue recognition.
- Performing an analytical review of income against the previous year and expectations to understand unexpected and significant variances, of which none were noted.

The Foundation's accounting policy on revenue is shown in note 7 (Publications and related activities) to the financial statements, and related disclosures are included within these notes.

Key observation

Our work did not identify any material misstatements concerning unpaid revenue from publications and related activities. We are satisfied that the accounting policies are appropriate, consistently applied from previous years and in line with the IFRS.

Valuation of forward currency contracts

The Foundation uses forward contracts to hedge a proportion of future contributions expected to be received—it does not implement hedge accounting. We therefore identified the valuation of these contracts as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Documenting our understanding of the processes and controls for forward currency contracts.
- Verifying contract valuations to management's third-party reports.
- Using specialist software to value the contracts and compare that to management's third-party valuations.
- Recalculation of gains and losses in the statement of comprehensive income.

The Foundation's accounting policy on this risk is shown in notes 8, 9 and 10 to the financial statements, and related disclosures are included in those notes.

Key observation

Our work did not identify any material misstatements concerning the valuation of forward currency contracts. We are satisfied that the accounting policy is appropriate, consistently applied from previous years and in line with the IFRS.

Our application of materiality

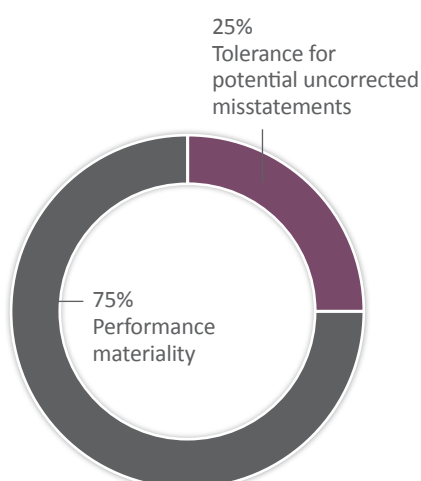
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work, and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £621,000, which is approximately 2% of income. This benchmark is considered the most appropriate because the Foundation is not a profit-orientated entity.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the reduction in income.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graphic below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We determined the threshold at which we will communicate misstatements to the audit committee to be £31,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Foundation's business, its environment and risk profile, and in particular included:

- performing an evaluation of the design effectiveness of controls over key financial statement risks as identified as part of our risk assessment process;
- gaining an understanding of the financial reporting and accounts production process; and
- undertaking substantive testing on significant classes of transactions, account balances and disclosures, the extent of which was informed by an overall assessment of the control environment.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Trustees for the financial statements

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 the Trustees either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Foundation's Trustees as a body. 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.



for and on behalf of
Grant Thornton UK LLP

Statutory Auditor,
Chartered Accountants

London

23 June 2020

Statement of comprehensive income

Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Income			
Contributions	6	19,994	22,007
Revenue from publications and related activities	7	10,540	8,622
Other income	6	405	375
		30,939	31,004
Operating expenses			
Technical and operational activities			
• Board members and staff costs	1	(18,488)	(17,059)
• Other technical and operating costs	1	(2,762)	(2,418)
• IFRS Advisory Council, IFRS Interpretations Committee and other advisory bodies	1	(277)	(249)
Publications and related activities expenses	7	(3,500)	(3,661)
Trustee oversight	2	(1,055)	(971)
Premises, occupancy and related expenses	3	(1,888)	(2,884)
		(27,970)	(27,242)
Net operating income		2,969	3,762
Finance income	10	1,762	500
Finance costs	10	(984)	(1,335)
		778	(835)
Income before tax		3,747	2,927
Income tax expense	5	–	–
Comprehensive income for the year		3,747	2,927

Statement of changes in equity

Year ended 31 December 2019

Retained surplus at beginning of year	34,428	31,501
Cumulative effect of applying IFRS 16	(111)	–
Retained surplus at beginning of year restated	34,317	–
Comprehensive income for the year	3,747	2,927
Retained surplus at end of year	38,064	34,428

The notes on pages 43 to 52 form part of these financial statements.

Statement of financial position

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Current assets			
Cash and cash equivalents		10,022	10,588
Contributions receivable	6	2,528	2,545
Trade and other receivables	7	977	949
Prepaid expenses		717	542
Inventories	7	113	67
Bonds at fair value, including accrued interest	9	4,227	2,582
Forward currency contracts at fair value	8	213	–
		18,797	17,273
Non-current assets			
Bonds at fair value, including accrued interest	9	20,688	19,805
Forward currency contracts at fair value	8	180	–
Leasehold improvements, furniture and equipment	3	2,883	3,372
Right-of-use assets	4	5,582	–
Intangible assets	3	689	–
		30,022	23,177
Total assets		48,819	40,450
Liabilities			
Current liabilities			
Trade and other payables		150	288
Payroll taxes payable		643	609
Accrued expenses		1,289	1,115
Contributions received in advance	6	140	157
Lease liability	4	898	–
Rent incentive	4	–	88
Forward currency contracts at fair value	8	309	652
Publications revenue received in advance	7	1,313	1,375
		4,742	4,284
Non-current liabilities			
Lease liability	4	5,544	–
Rent incentive	4	–	706
Reinstatement provision	3	457	459
Forward currency contracts at fair value	8	12	573
		6,013	1,738
Total liabilities		10,755	6,022
Net assets		38,064	34,428

The notes on pages 43 to 52 form part of these financial statements.



Erkki Liikanen
Chair of the IFRS Foundation Trustees

Statement of cash flows

Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating activities			
Cash received			
Contributions		20,011	21,562
Publications and related activities		10,605	8,839
Funding for Asia-Oceania office	6	334	318
Interest		533	547
Foreign exchange settlements		–	217
Other receipts		34	42
Cash paid			
Salaries, wages and benefits		(18,653)	(17,117)
Publications and related activities expenses		(3,369)	(3,568)
Trustees' fees		(675)	(638)
Foreign exchange settlements		(683)	–
Other operating expenses		(4,284)	(4,944)
Net cash from operating activities		3,853	5,258
Investing activities			
Matured bond receipts		2,341	2,371
New bond purchases		(4,951)	(6,965)
Purchase of leasehold improvements, furniture and equipment		(757)	(3,254)
Net cash from investing activities		(3,367)	(7,848)
Financing activities			
Payments of principal on lease liabilities		(789)	–
Payments of interest on lease liabilities		(202)	–
Net cash from financing activities		(991)	–
Effects of exchange rate changes on cash and cash equivalents		(61)	33
Net (decrease) increase in cash and cash equivalents		(566)	(2,557)
Cash and cash equivalents at the beginning of the year		10,588	13,145
Cash and cash equivalents at the end of the year		10,022	10,588

The notes on pages 43 to 52 form part of these financial statements.

Notes to the financial statements

Year ended 31 December 2019

Significant accounting policies

The Foundation is an independent, not-for-profit organisation incorporated in the State of Delaware, USA, on 6 February 2001. Its primary operations are based in London. The functional and presentation currency is sterling.

The financial statements were approved and authorised for issue by the Trustees of the Foundation on 23 June 2020. At that date, aside from the disclosure in note 11, there had been no events since 31 December 2019 that required an adjustment to the financial statements. The Trustees are responsible for overseeing the Foundation's financial reporting process and for assessing the IFRS Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The Foundation produces annual budgets and forecasts which take into account the Foundation's activities, operations and known cash requirements. Having regard to all relevant circumstances and the funds held by the Foundation, the Trustees consider it appropriate to prepare the financial statements on a going concern basis.

The Foundation's most important intangible asset is the intellectual property embodied in IFRS Standards. The Foundation does not recognise this asset because the value and future economic benefits cannot be reliably measured. 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.

When preparing the financial statements, management makes judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. There are no significant judgements or estimates that require separate disclosures.

Current period and future changes to the accounting policies

The financial statements have been prepared on the basis of IFRS Standards, effective at 1 January 2019.

The Foundation has applied IFRS 16 *Leases* using the modified retrospective method from its effective date of 1 January 2019. Right-of-use assets have been measured at that date at their carrying amount as if the Standard had been applied since the commencement date but discounted using the Foundation's incremental borrowing rate at 1 January 2019. The cumulative effect of initially applying the Standard has been recognised as an adjustment to retained earnings as at 1 January 2019. Comparative information was not restated.

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

Explanatory information

The explanatory notes have been organised into sections that provide a more cohesive 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.

Activities

1 Technical and operational activities

Board members and staff costs

The main costs associated with developing IFRS Standards are the salaries of the Board members and staff. The Foundation had an average headcount of 142 employees including Board members and paid-for secondees during 2019 (2018: 142).

	2019	2018
	£'000	£'000
Board member salaries and related costs	7,483	7,158
Staff salaries and related costs	12,877	11,677
	20,360	18,835
Less costs included in publications expenses (see note 6)	<u>(1,872)</u>	<u>(1,776)</u>
	<u>18,488</u>	<u>17,059</u>

The Trustees' Human Capital Committee reviews, benchmarks and recommends salary and benefit levels, which are reviewed and approved annually by the Trustees as a whole. Board members' gross salaries covering all compensation and benefits for 2019 were as follows: £584,700 for the Chair (2018: £572,500); £505,000 for the Board Vice-Chair (2018: £494,500), and an average of £461,800 for other Board members (2018: £452,000). The Board had a full complement of 14 members throughout 2019. In addition to the Trustees, Board Chair and Board Vice-Chair, the 'key management personnel' includes the Executive Director, appointed in 2018, whose gross salary in the year amounted to £291,000 (from May 2018: £204,000). 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 Board members.

Other technical and operating costs

	2019	2018
	£'000	£'000
Audit, legal and taxation advice	144	144
Communication and technology	497	696
Business Processes and Technology programme	326	–
External relations	61	39
Human resource and recruitment activities	481	341
Technical research library	132	110
Meeting video conferencing	140	137
Travel and meetings	695	701
Other office-related costs	<u>286</u>	<u>250</u>
	<u>2,762</u>	<u>2,418</u>

IFRS Advisory Council, IFRS Interpretations Committee and other advisory bodies

In 2019 and 2018 the Foundation paid remuneration to the Chair of the IFRS Advisory Council of £40,000. Additionally, the Foundation reimbursed the Chair's travel and accommodation costs. Other members of the IFRS Advisory Council are not paid remuneration and meet their own costs for attending meetings. 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 and accommodation costs for attending meetings. The same applies to members of the Capital Markets Advisory Committee as of October 2019. Members of the Board's other advisory bodies meet their own costs for 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:

	2019	2018
	£'000	£'000
IFRS Advisory Council remuneration costs	40	40
IFRS Advisory Council travel and meeting costs	70	64
IFRS Interpretations Committee travel and meeting costs	154	145
Capital Markets Advisory Committee travel and meeting costs	13	–
	<u>277</u>	<u>249</u>

2 Trustee oversight

The Foundation's management and governance is overseen by 22 Trustees (2018: 22). The Trustees meet three times a year. The Chair of the Trustees receives £200,000 per year and other Trustees receive an annual fee of £20,000. All are reimbursed for their travel on Foundation business. There are six Trustee committees; committee chairs receive an additional £7,000 per year.

Costs associated with Trustee activities are as follows:

	2019	2018
	£'000	£'000
Remuneration costs	659	672
Travel and meeting costs	396	299
	<u>1,055</u>	<u>971</u>

3 Premises, occupancy and related expenses

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

	2019	2018
	£'000	£'000
Rent (see note 4)	–	1,727
Rates, insurance and energy	618	833
Service charges	338	513
Depreciation (see notes 3 and 4)	1,287	368
Other costs	126	143
	<u>2,369</u>	<u>3,584</u>
Less amounts allocated to publications expenses (see note 7)	<u>(481)</u>	<u>(700)</u>
	<u>1,888</u>	<u>2,884</u>

The estimated costs of reinstating the premises when the leases expire are recognised as lease reinstatement obligations and are included in leasehold improvements and recognised evenly over the remaining lease terms.

Leasehold improvements, furniture and equipment, and intangible assets

Leasehold improvements, furniture and equipment, and intangible assets are initially measured at cost, and then depreciated or amortised on a straight-line basis from the date on which the asset is available for use. Leasehold improvements are depreciated over the remaining periods of the related leases. Furniture and equipment are depreciated over three and five years. Intangible assets developed as part of the Business Processes and Technology programme will be amortised over five years—those assets, primarily replacing current systems, are expected to be available to use from late 2020 to early 2021, at which time amortisation will begin.

	2019 £'000	2019 £'000	2019 £'000	2019 £'000
	Leasehold improvements	Furniture and equipment	Subtotal	Intangible assets
Cost				
1 January	2,868	1,235		–
Additions	56	4		689
Disposals	–	–		–
31 December	<u>2,924</u>	<u>1,239</u>	<u>4,163</u>	<u>689</u>
Accumulated depreciation/amortisation				
1 January	251	480		–
Charge for the year	301	248		–
Disposals	–	–		–
31 December	<u>552</u>	<u>728</u>	<u>1,280</u>	<u>–</u>
Carrying amount	<u><u>2,372</u></u>	<u><u>511</u></u>	<u><u>2,883</u></u>	<u><u>689</u></u>

	2018 £'000	2018 £'000	2018 £'000
	Leasehold improvements	Furniture and equipment	Subtotal
Cost			
1 January	1,515	1,251	
Additions	2,611	766	
Disposals	(1,258)	(782)	
31 December	<u>2,868</u>	<u>1,235</u>	<u>4,103</u>
Accumulated depreciation/amortisation			
1 January	1,306	1,069	
Charge for the year	192	176	
Disposals	(1,247)	(765)	
31 December	<u>251</u>	<u>480</u>	<u>731</u>
Carrying amount	<u><u>2,617</u></u>	<u><u>755</u></u>	<u><u>3,372</u></u>

4 Leases

The Foundation has recognised right-of-use assets and lease liabilities for its two office premises leases in London and Tokyo.

The London premises lease commenced in January 2018 for 10 years. The lease includes a five-year break clause and incentives in the form of rent-free periods both initially and in year six. The Foundation has determined that it is reasonably certain not to terminate the lease at the end of year five and, thus, that the lease has a term of 10 years for financial reporting purposes.

The Tokyo premises lease commenced in October 2012 for 10 years until September 2022.

Right-of-use assets are recognised at cost, comprising the amount of the initial measurement of the lease liability less accumulated depreciation. There were no additions during the year:

	Premises
	£'000
Right-of-use assets 1 January 2019	6,320
Depreciation charge for the year	(738)
Carrying amount of right-of-use assets 31 December 2019	<u>5,582</u>

Lease liabilities are recognised at the present value of lease payments not yet paid discounted using the Foundation's incremental borrowing rate of 3%. Interest expense is included in finance costs (see note 10).

The following table reconciles operating lease commitments disclosed at 31 December 2018 applying IAS 17 to lease liabilities recognised at 1 January 2019:

	Total
	£'000
Operating lease commitments (undiscounted) at 31 December 2018	8,208
Effect of discounting at incremental borrowing rate of 3%	(977)
Lease liability at 1 January 2019	<u>7,231</u>

Future undiscounted lease commitments under the premises leases are as follows:

	2019	2018
	£'000	£'000
Within one year	1,073	991
In two to five years	3,132	3,206
More than five years	3,008	4,011
	<u>7,213</u>	<u>8,208</u>
Effect of discounting	(771)	-
Lease liability at 31 December 2019	<u>6,442</u>	<u>-</u>
Current	898	-
Non-current	5,544	-

Total cash outflows related to leases during the year was £991,000; the change in the lease liability of £789,000 (£7,231,000 - £6,442,000) represents cash outflows from the repayment of principal (see Statement of Cash Flows).

5 Taxation

For US taxation 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 2019, the taxation expense is calculated on that basis, and is estimated to be £nil (2018: £nil).

At the end of 2019 the Foundation is carrying forward a loss for UK tax purposes of £5,635,501 (2018: 6,340,000). 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

6 Contributions

Contributions to the Foundation are voluntary, mainly publicly sponsored and 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. Those 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.

The Foundation receives an annual contribution from the European Union that is supported by an enforceable grant, subject to various conditions that the Foundation is expected to meet. Contributions receivable includes the final grant instalment expected for the year of £1,849,000 (2018: £1,024,000).

The Foundation received separate funding in 2019 of £334,000 / ¥50,000,000 (2018: £318,000 / ¥50,000,000) towards the operations of the Asia-Oceania office located in Tokyo. £372,000 (2018: £340,000) has been recognised in other income.

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

	2019	2018
	£'000	£'000
UK pounds	2,389	2,308
US dollars	6,957	8,699
Euros	6,798	7,155
Other	3,850	3,845
	<u>19,994</u>	<u>22,007</u>

For more information on how the Foundation manages its currency risk refer to note 8. A full list of contributors can be found on page 54.

7 Publications and related activities

The following table presents the components of the net income generated by the IFRS Foundation's publications and related activities:

	2019 £'000	2018 £'000
Revenues from contracts with customers		
Publications	1,476	1,508
Subscription services	1,638	1,768
Licensing	7,221	5,127
Conferences and speaking engagements	205	219
	10,540	8,622
Expenses		
Staff salaries and related costs	1,872	1,776
Cost of goods sold	476	433
Depreciation	247	43
Occupancy	234	657
Communication technology	259	377
Other costs	412	375
	3,500	3,661
Net income from publications and related activities	7,040	4,961

Revenues are generated from the sale of printed publications, subscription services, various licensing contracts, and conference and speaking engagements. The Foundation recognises revenue when it satisfies its performance obligations to customers. Revenue is measured based on the consideration specified in the contracts.

- Revenue from printed publications is recognised when control of the publication is transferred to the customer, which occurs upon shipment. Publications are paid for in advance of shipment.
- Revenue from subscription services is recognised over the subscription period on a time-apportioned basis because the services provide ongoing access to updated versions of IFRS Standards and other related content. Subscriptions are generally paid for in advance.
- The Foundation enters non-exclusive licensing contracts granting third parties rights to use IFRS Standards and related content to provide various products and services. Consideration for these contracts is in the form of fixed fees payable in advance or arrears, or variable fees that are based on customers' sales and payable quarterly in arrears. Revenues for fixed fee contracts are recognised on a time-apportioned basis over the term of the licence because the contracts provide ongoing access to updated versions of IFRS Standards and other related content. Revenues for variable fee contracts are recognised as the customers' sales occur.
- Revenues from conferences and speaking engagements are recognised when the conference or other event occurs.

Customers are entitled to refunds or returns in accordance with statutory requirements, but such occurrences based on experience are expected to be infrequent and insignificant.

Trade and other receivables include £810,000 (2018: £892,000) from licensing contracts. Publications revenue received in advance relates to subscription services and licensing contracts; the amount of £1,375,000 recognised at the beginning of the year has been recognised as revenue during the year, and the amount of £1,313,000 recognised at the end of the year is expected to be recognised as revenue in 2020. No further information is provided about remaining performance obligations at the end of the year that have an original duration of one year or less, as allowed by IFRS 15.

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.

Management of funds

8 Risk Management

Foreign currency management

To manage risks associated with fluctuations in voluntary contribution levels, the Trustees of the Foundation provided guidance of maintaining sufficient funds to be able to meet at least 12 months of its operating costs. The Foundation's expenses arise largely in sterling, whereas the organisation receives funding and future commitments, under various publicly sponsored funding regimes, primarily in US dollars and euros (refer to note 6). 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 foreign currency risk.

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% of its expected net US dollar contributions, 70% of its expected net euro contributions and 50% of its expected net Japanese yen contributions to fix a sterling equivalent. Foreign currency is sold forward on a two-year rolling basis with an established financial institution; credit risk is deemed minimal.

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 at 31 December 2019:

Forward foreign exchange contracts by currency:	2019			2018		
	Fair value '000	Notional value '000	Weighted average rate	Fair value '000	Notional value '000	Weighted average rate
Financial assets						
USD (Level 2)	£128	\$16,150	1.319	–	–	–
EUR (Level 2)	£259	€7,050	1.111	–	–	–
JPY (Level 2)	£6	¥282,000	140.859	–	–	–
Financial liabilities						
USD (Level 2)	(£301)	\$6,550	1.412	(£858)	\$23,050	1.363
EUR (Level 2)	(£13)	€1,650	1.159	(£278)	€10,100	1.129
JPY (Level 2)	(£7)	¥47,000	146.510	(£89)	¥282,000	144.244

The fair value of forward foreign exchange contracts is bank-provided and based on pricing models using observable exchange rates, described as Level 2 in IFRS 13 *Fair Value Measurement*. All non-current forward contracts expire by 2022. The effect of these forward contracts is that the Foundation is exposed to the currency risk associated with the expected remaining 10% of projected net US dollar contributions, 30% of projected net euro contributions and 50% of projected net Japanese yen contributions that are not covered by the forward contracts.

A potential 10% 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 £178,000 and on the remaining actual net euro contributions received during the year of £179,000. 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 including amounts to meet maturing forward foreign exchange contracts. 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 minimum ratings at the time of purchase. These funds are reserves for continuing operations and capital expenditure.

The Foundation manages and receives information from its advisors on its investments in bonds on a fair value basis that includes value changes attributable to interest rate risk. Bonds can be converted into cash if necessary.

Credit risk

The Foundation has financial assets measured at amortised cost comprising cash and cash equivalents, contributions receivable and publication-related receivables. The Foundation has assessed the credit risk of its financial assets measured at amortised cost and has determined that the loss allowance for expected credit losses of those assets is immaterial to the financial statements. The Foundation's exposure to credit losses has been historically very low.

Cash and cash equivalents are all held in financial institutions with high credit ratings.

At 31 December 2019, the Foundation had a receivable of £1,849,000 from a single contributor. This contribution receivable reflects the final grant instalment from the European Union, which has a high credit rating and stable outlook. The Foundation has determined this receivable to have low credit risk.

Exposure to credit risk arising from publications and related activities is managed by requiring advance payments for some products and services and with the contractual control of the use of the Foundation's intellectual property. The Foundation retains a right to terminate contracts and cancel all rights and licences, although such occurrences are expected to be infrequent and not significant.

The carrying amount of the Foundation's financial assets represent the maximum credit exposure.

9 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 face values of current and non-current bonds are presented in the following table.

	2019 Fair value £'000	2019 Face value £'000	2018 Fair value £'000	2018 Face value £'000
Current, including accrued interest	4,227	4,213	2,582	2,568
Non-current, including accrued interest	20,688	20,602	19,805	19,871
	<u>24,915</u>	<u>24,815</u>	<u>22,387</u>	<u>22,439</u>

The Foundation measures all other financial instruments at amortised cost. Those financial instruments include financial assets with a total carrying amount of £12,848,000 (2018: £12,823,000) and financial liabilities with a total carrying amount of £150,000 (2018: £288,000). The carrying amount of these financial assets and liabilities 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.

10 Finance income and finance costs

	2019 £'000	2018 £'000
Finance income		
Interest income	314	247
Fair value gains on forward foreign exchange contracts	1,309	9
Fair value gains on bonds	139	–
Exchange gains on forward foreign exchange contracts and cash holdings	–	244
	<u>1,762</u>	<u>500</u>
Finance costs		
Interest on lease liabilities	(202)	–
Fair value losses on forward foreign exchange contracts	(12)	(1,179)
Fair value losses on bonds	–	(156)
Exchange losses on forward foreign exchange contracts and cash holdings	(770)	–
	<u>(984)</u>	<u>(1,335)</u>

Fair value gains and losses from bonds do not include interest income.

11 Events after the reporting period

Covid-19

The World Health Organisation (WHO) declared covid-19 a global health emergency on 30 January 2020, upgrading the status to global pandemic on 11 March 2020. At the time of signing the financial statements the pandemic continues and therefore the Foundation is unable to estimate any possible financial impact.



Appendices

Financial supporters

Jurisdiction	Organisation	
Australia	£547,100	Financial Reporting Council
Brazil	£71,757	
	£25,000 +	Fundação de Apoio ao Comitê de Pronunciamentos Contábeis Central Bank of Brazil
Canada	£541,479	
	£500,000 +	Chartered Professional Accountants of Canada
	Less than £25,000	Office of the Superintendent of Financial Institutions
Chinese Taipei	£62,000	
	Less than £25,000	Accounting Research and Development Foundation Taipei Exchange Taiwan Depository & Clearing Corporation
		Taiwan Futures Exchange Taiwan Stock Exchange Corporation
European Union	£4,135,545	European Commission
France	£861,995	Ministry for the Economy and Finance—Autorité des Normes Comptables
Germany	<i>Voluntary levies through the Accounting Standards Committee of Germany (DRSC)</i>	
	£683,211	
	£25,000+	Allianz SE BASF SE Bayer AG BMW—Bayerische Motoren Werke AG Continental AG Daimler AG Deutsche Börse AG Deutsche Post AG Deutsche Telekom AG Fresenius Medical Care AG & Co KGaA
		Fresenius SE & Co KGaA Merck KGaA Münchener Rückversicherungs-Gesellschaft AG ProSiebenSat.1.Media SE RWE AG SAP AG Siemens AG Volkswagen AG Wirecard AG
	Less than £25,000	Aareal Bank AG AIXTRON SE alstria office REIT-AG CECONOMY AG Commerzbank AG DekaBank Deutsche Beteiligungs AG DEUTZ AG Drägerwerk AG & Co KGaA Fielmann AG Fraport AG Gerresheimer AG Heidelberger Druckmaschinen AG HORNBAACH Holding AG & Co KGaA INDUS Holding AG
		Infineon Technologies AG K+S AG KION Group AG Knorr-Bremse AG LANXESS AG METRO AG MTU Aero Engines Holding AG NORMA Group SE PATRIZIA AG SAF-HOLLAND S.A. Sartorius AG Schaeffler Technologies AG & Co KGaA SGL Carbon SE Siemens Healthineers AG United Internet AG

Jurisdiction	Organisation
Hong Kong SAR	
£19,807	Hong Kong Monetary Authority
India	
£489,500	Ministry of Corporate Affairs
Indonesia	
£68,000	
£25,000 +	Financial Services Authority (OJK) Indonesia Stock Exchange
International	
£18,831	Bank for International Settlements
Ireland	
£7,727	Central Bank & Financial Services Authority of Ireland
Israel	
£17,000	Israel Securities Authority
Italy	
£658,910	Organismo Italiano di Contabilità
Japan	
£2,029,560	Financial Accounting Standards Foundation
£334,000	Financial Accounting Standards Foundation—restricted contribution for the Asia-Oceania office
Kazakhstan	
£7,613	National Bank of Kazakhstan
Malaysia	
£70,530	Malaysian Accounting Standards Board
Netherlands	
£379,666	
£250,000 +	Ministry of Finance
Less than £25,000	De Nederlandsche Bank
New Zealand	
£101,807	External Reporting Board
Norway	
£89,271	Financial Supervisory Authority of Norway
People's Republic of China <i>Through a system created by the Ministry of Finance</i>	
£2,506,790	
£500,000 +	Ministry of Finance
£100,000 +	Chinese Institute of Certified Public Accountants Shanghai Stock Exchange
£50,000 +	China Investment Corporation
£25,000 +	China Communications Construction Company Ltd China National Offshore Oil Corporation China Petroleum & Chemical Corporation PetroChina Company Limited China Pacific Insurance (Group) Co Ltd

Jurisdiction	Organisation
People's Republic of China	<i>(continued)</i>
Less than £25,000	Agricultural Bank of China Bank of China Limited Bank of Communications Co Ltd China CITIC Bank Corporation Limited China Construction Bank Corporation China Merchants Bank
	China Mobile Communication Co Ltd China Telecom Corporation Limited Huaneng Power International Inc Industrial and Commercial Bank of China Limited New China Life Insurance Company Ltd PICC Property and Casualty Company Limited
Portugal	
£19,033	Banco de Portugal
Russia	
£427,700	Ministry of Finance of the Russian Federation
Saudi Arabia	
£150,000	Saudi Organization for Certified Public Accountants (SOCPA)
Singapore	
£70,000	Ministry of Finance
South Africa	
£7,000	Johannesburg Stock Exchange
South Korea	<i>Donations contributed through the Korea Accounting Standards Board</i>
£491,896	
£100,000 +	Korea Accounting Standards Board (KASB)
£50,000 +	Samsung Electronics Co Ltd
£25,000 +	Financial Supervisory Service Samsung C&T Corporation
	Samsung Life Insurance Co Ltd Samsung SDS Co Ltd
Less than £25,000	Hana Financial Holdings LG Corporation Samsung Card Co Ltd Samsung SDI Co Ltd
	Samsung Securities Co Ltd Shinhan Financial Group Co Ltd POSCO
Spain	
£99,350	Bolsas y Mercados Españoles
Switzerland	
£65,466	
£50,000 +	SwissHoldings
Less than £25,000	Swiss National Bank
Thailand	
£50,782	Federation of Accounting Professions (TFAC) Securities and Exchange Commission (SEC) Stock Exchange of Thailand (SET)
United Kingdom	<i>Levies through the Financial Reporting Council</i>
£847,000	

Jurisdiction	Organisation	
United States of America		
£409,220		
£50,000 +	American Institute of CPAs (AICPA)	Board of Governors of the Federal Reserve System
	Bank of America Corporation	CFA Institute
£25,000 +	Morgan Stanley	Oracle Corporation
Less than £25,000	PepsiCo Inc	
International accounting firms		
£3,968,414		
US\$1.10 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\$200,000	
Trustees		
£20,000	One Trustee waived his fee, which has been accounted as a contribution	

Cumulative amount raised by a jurisdiction appears below the jurisdiction's name. Amounts translated into sterling on date received.

IFRS Advisory Council members

At 31 December 2019

Chair		
Joanna Perry	Non-executive director, New Zealand	
Represented body	Represented by	Position
Accounting Standards Committee of Germany (representing the national standard-setters of France, Germany, Italy and the UK)	Andreas Barckow	President
ACTEO and MEDEF	Olivia Larmaraud	Deputy Corporate Accounting Director, PSA Peugeot Citroën
AIA Group	Garth Jones	Group CFO
Banco Bilbao Vizcaya Argentaria, SA	María Ángeles Peláez Morón	Chief Accounting Officer
Basel Committee on Banking Supervision	Carolyn Rogers	Secretary General
BDO	Jens Freiberg	Head of International Financial Reporting, Head of Capital Markets, BDO AG
Brazilian Development Bank	Vânia Maria da Costa Borgerth	Deputy Managing Director for the Controlling Division
Business Europe	Kristian Koktvedgaard	Head of VAT Accounting and Auditing, Confederation of Danish Industry
Capital Markets Board of Turkey	Sibel Ulusoy Tokgöz	Deputy Head, Accounting Standards Department
CFA Institute	Giuseppe Balloccchi	Future of Finance Content Council member
Comisión Nacional Bancaria y de Valores	Laura Ramírez	Deputy General, Director on Accounting Regulation
Corporate Reporting Users Forum	Lothar Weniger	Owner, ALIAG, Usingen
Council of Institutional Investors	James Andrus	Investment Manager, Sustainable Investments, California Public Employees' Retirement System
Deloitte	Trevor Derwin	Partner, Deloitte Africa
European Accounting Association	Ann Jorissen	Professor of Accounting, University of Antwerp, Antwerp Management School
European Central Bank	Jürgen Kirchhof	Principal Finance Expert, Financial Reporting & Policy Division
European Federation of Financial Analysts Societies	Javier de Frutos	Chief Investment Officer, Sailbridge Capital
European Financial Reporting Advisory Group	Jean-Paul Gauzès	EFRAG Board President
External Reporting Board, New Zealand	Ken Warren	Chief Accounting Advisor, The Treasury, New Zealand
EY	James Luke	Technical Partner, Africa Region
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
Financial Executives International	Ron Edmonds	Controller and Vice President of Controllers and Tax, DowDuPont
Financial Reporting Standards Council of South Africa	Garth Coppin	Member
Grant Thornton	Daniel Civit	Partner, Head of the French Accounting Practice Group
Individual	Surya Subramanian	Group Chief Financial Officer, Emirates NBD
Indonesian Financial Services Authority	Etty Wulandari	Deputy Commissioner
Insurance Europe	Olav Jones	Deputy Director General
International Actuarial Association	Micheline Dionne	Member of the IAA Executive Committee

Represented body	Represented by	Position
International Association for Accounting Education & Research	Holger Daske	Professor and Chair of Accounting and Capital Markets, University of Mannheim
International Association of Insurance Supervisors	Abdulrahman Fahd Almosad CMA	Insurance Supervisor
International Co-operative Alliance	Isabelle Ferrand	Chief Financial Officer, Confédération Nationale du Crédit Mutuel
International Corporate Governance Network	Ian Burger	Head of Corporate Governance, Newton Investment Management
International Federation of Accountants (IFAC)	Russell Guthrie	Chief Financial Officer and Executive Director - External Affairs
International Monetary Fund (IMF)	Ellen Gaston	Senior Financial Sector Expert, Financial Supervision and Regulation Division, Monetary and Capital Markets Department
International Organization of Securities Commissions	Areewan Aimdilokwong	Specialist in the Accounting Supervision Department, Securities and Exchange Commission of Thailand
International Organization of Securities Commissions	Ton Meershoek	Technical Expert in Financial Reporting, Netherlands Authority for the Financial Markets
Investment Company Institute	Clive Brown	Chief Executive Officer of RBC Global Asset Management (UK) Limited
Korea Accounting Standards Board	Jee In Jang	Advisor to KASB
KPMG	Andrew Marshall	Senior Technical Partner
Lukoil	Sergey Epifanov	Head of the Consolidation and International Financial Reporting Department
Ministry of Finance, People's Republic of China	Yibin Gao	Director-General of Accounting Regulatory Department
Nippon Keidanren	Hidetake Ishihara	Executive Officer, Nippon Steel & Sumitomo Metal Corporation
Ortec Finance	Tessa Kuijl	Senior Lead Consultant, Pension and Insurance Risk Management
PwC	Henry Daubeney	Partner, Global Head of Reporting and Chief Accountant
Securities Analysts Association of Japan	George Iguchi	Chief Corporate Governance Officer, Senior General Manager of Equity Investment Department, Nissay Asset Management Corporation
Shanghai University of Finance and Economics	Xinyuan Chen	Vice President and Professor
South Asian Federation of Accountants	M P Vijay Kumar	Vice Chairman, Accounting Standards Board and Chairman, Valuation Standards Board of The Institute of Chartered Accountants of India
Wipro Ltd	Suresh Senapaty	Advisor, former member of the board and CFO
World Bank	Pam O'Connell	Director and World Bank Group Chief Accountant

Observer organisations

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission

More information about the Advisory Council can be found at www.ifrs.org/groups/ifrs-advisory-council.

IFRS Interpretations Committee members

At 31 December 2019

Non-voting chair:	
Sue Lloyd	Vice-Chair, International Accounting Standards Board

Name	Title	Organisation	Term ends
Lisa Bomba	Managing Director	Deutsche Bank	30 June 2022
Carl Douglas	Corporate Controller	CCR S.A.	30 June 2020
Karsten Ganssaue	Senior Partner	PwC	30 June 2022
Mikael Hagström	Senior Vice President and CFO	Dongfeng Commercial Vehicles	30 June 2020
Jongsoo Han	Member	Korea Accounting Standards Board	30 June 2021
Guy Jones	Partner, IFRS Regional Leader Canada	EY	30 June 2021
Goro Kumagai	Senior Fellow, Markets Strategic Intelligence Department	Mizuho Securities Co Ltd	30 June 2021
Bruce Mackenzie	Managing Director	W Consulting International	30 June 2020
Brian O'Donovan	Partner	KPMG	30 June 2022
Bertrand Perrin	Director, Accounting Standards and Special Projects	Vivendi	30 June 2022
Robert Uhl	Partner, National Director of Accounting Standards	Deloitte & Touche LLP	30 June 2021
Bonnie Van Etten	Group Chief Accounting Officer	Fiat Chrysler Automobiles N.V.	30 June 2020
Yang Zheng	Vice President and CFO	New China Life Insurance Co Ltd	30 June 2022

Andrew Buchanan (Global Head of IFRS, BDO), Tony de Bell (Senior Partner, PwC Global Accounting Services Group), Reinhard Dotzlaw (Global IFRS Leader, KPMG) and Dr Martin Schloemer (Head of Accounting Principles & Policies, Bayer AG) completed their terms on 30 June 2019. There was one vacant position at 31 December 2019. This position was filled in February 2020.

Further information about the IFRS Interpretations Committee, including biographies of all members, can be found at www.ifrs.org/groups/ifrs-interpretations-committee.

IFRS Foundation Monitoring Board members

At 31 December 2019

Chair

Public authority	Member	Position
IOSCO	Jean-Paul Servais	Chair of the Belgian Financial Services and Markets Authority and representative of the IOSCO Board (Vice-Chair)

Members

Public authority	Member	Position
Brazil Securities and Exchange Commission (Comissão de Valores Mobiliários)	Marcelo Barbosa	Chair
European Commission	Valdis Dombrovskis	Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union
IOSCO	Ünal Eryilmaz	Board Member of the Capital Markets Board of Turkey and representative of the IOSCO Growth and Emerging Markets Committee
Japan Financial Services Agency	Ryozo Himino	Vice Minister for International Affairs
People's Republic of China Ministry of Finance	Cheng Lihua	Vice Minister
South Korea Financial Services Commission	Sung-soo Eun	Chair
United States Securities and Exchange Commission	Jay Clayton	Chair

Observers

Public authority	Member	Position
Argentina Securities and Exchange Commission (Comisión Nacional de Valores)	Marcos Ayerra	Chair and representative of the IOSCO Growth and Emerging Markets Committee (Vice-Chair)
Basel Committee on Banking Supervision	Fernando Vargas	Chair of the Basel Accounting Expert Group
South Africa Financial Sector Conduct Authority	Jurgen Boyd	Deputy Executive Officer and representative of the IOSCO Africa and Middle-East Regional Committee

More information about the Monitoring Board can be found at www.ifrs.org/groups/ifrs-foundation-monitoring-board.

In memoriam

Paul Volcker 1927–2019



The Trustees of the IFRS Foundation wish to note the death of Paul A. Volcker, who served as inaugural Chairman of the Trustees between 2000 and 2005.

Mr Volcker was a towering figure in international finance, both physically (at two metres) and by reputation, having tamed US inflation in the 1970s during his tenure as Chairman of the Board of Governors of the US Federal Reserve. A dedicated public servant, he was the eminent financial statesman of his generation, lending his considerable skills and expertise to advance many worthwhile causes.

As the first Chairman of the Trustees, he led the restructuring of the organisation from the predecessor body, the International Accounting Standards Committee. He oversaw the recruitment of the first Board of Trustees and the appointment of the International Accounting Standards Board and its first Chair, Sir David Tweedie. He laid the

foundations for encouraging worldwide support for the mission of global accounting standards. The institutional arrangements established under his leadership provided the necessary legitimacy and encouragement for a first wave of jurisdictions to adopt IFRS Standards in the early 2000s.

Following his retirement, Mr Volcker remained a strong advocate of the IFRS Foundation. In 2015 he wrote:

'If we really believe in open international markets and the benefits of global finance, then it can't make sense to have different accounting rules and practices for companies and investors operating across national borders. That is why we need global standards. Ultimately this will get done.'

On behalf of the staff, members of the Board and the Trustees, we all pass on our thanks for the legacy of Mr Volcker.

Thank you!

The Trustees of the IFRS Foundation thank all staff, volunteers and partners around the world for contributing to the delivery the Foundation's mission during 2019, especially:

- our financial contributors;
- those who have contributed with comments to our consultations;
- event partners, participants and hosts; and
- our customers.





International Financial Reporting Standards®

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