

# Annual Report 2015

*Focussing on the future*

several new buy-side investors and analysts to our Investors in Financial Reporting programme. A more detailed overview of our strategic goals was kicked off our Trustees' Review of Structure and Effectiveness in 2015. When published, the new *Conceptual Framework* will create more clarity adding several new buy-side investors and analysts to our *Investors in Financial Reporting* programme. A more detailed overview of our strategic goals was kicked off our Trustees' Review of Structure and Effectiveness in 2015. When published, the new *Conceptual Framework* will create more clarity adding several new buy-side investors and analysts to our *Investors in Financial Reporting* programme.



# Mission Statement

## Financial reporting standards for the world economy

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

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

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





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# 1. IFRS Foundation

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# Report of the Chair of the Monitoring Board



MASAMICHI KONO  
CHAIR  
IFRS FOUNDATION  
MONITORING BOARD

The Monitoring Board was formed in 2009 to help ensure public accountability of the IFRS Foundation by monitoring and reinforcing the public interest oversight function of the organisation, as well as to promote the continued development of IFRS Standards as a high-quality set of global accounting standards. In order to fulfill its responsibilities, the principal activities of the Monitoring Board are threefold:

- (a) participate in the selection and approval of the Trustees of the IFRS Foundation (the Trustees);
- (b) advise the Trustees with respect to the fulfilment of their responsibilities, in particular with respect to regulatory, legal and policy developments that are pertinent to the IFRS Foundation's oversight of the International Accounting Standards Board (the Board) and appropriate sources of IFRS Foundation funding; and

- (c) discuss issues and share views relating to IFRS Standards, as well as regulatory and market developments affecting the development and functioning of the Standards.

In February 2012, the Monitoring Board issued the Governance Review report, which contained a comprehensive set of recommendations to improve its accountability and transparency, including a recommendation to extend its membership to capital market authorities of major emerging market jurisdictions. Since then, the Monitoring Board has been implementing those recommendations, while conducting its monitoring and public oversight functions. The Monitoring Board appointed me as the current Chair<sup>1</sup> for my second two-year term starting in February 2015.

## A challenging year for the Monitoring Board

In 2015, the Monitoring Board of the IFRS Foundation faced a very challenging year. Work to provide feedback to the Trustees' *Review of Structure and Effectiveness* (the Review) and to help secure stable funding sources for the IFRS Foundation's activities were high on the Monitoring Board's agenda.

Lately, there have been critical comments from stakeholders on the activities of the Monitoring Board, pointing out the need to enhance its monitoring activities and improve transparency. According to some critiques, too much time is spent on organisational matters such as Trustee appointments and membership issues, resulting in less time available for exercising proper public interest oversight over the Foundation's activities. The Monitoring Board is quite sensitive to such comments, and as the current Chair I am willing to engage with stakeholders on any point concerning its work.

While the importance of organisational work to make the Monitoring Board more inclusive and effective should not be understated, particularly for the longer term, the Monitoring Board recognises that it should step up its efforts in monitoring the activities of the Trustees effectively, and in a timely manner. Consequently, it is taking steps to improve its monitoring activities by drawing up an annual work plan as well as to increase working-level discussions. Closer and more frequent interactions with the work of the Trustees, particularly over the Review, are envisaged going forward. A more structured and forward-looking work programme would help the Monitoring Board to become more effective in fulfilling its mission of the Foundation's governance.

## Future work to fulfil the Monitoring Board's mission

As the Charter of the Monitoring Board states, it is tasked with a mission to promote the continued development of IFRS Standards as a high-quality set of global accounting standards.

The G20 and the Financial Stability Board (FSB) have made repeated calls in recent years to achieve a single set of high-quality global accounting standards. One should not forget that it was in the wake of the global financial crisis that governments realised the importance of measuring the soundness of financial institutions and the integrity of global capital markets by accounting standards that ensured global consistency and applicability. The increasingly globalised activities of financial institutions and the emergence of globally interconnected financial markets were important factors behind this realisation.

1 Any views expressed in this report are presented under the responsibility of the author, and may not necessarily be identical to the official views of the Monitoring Board, or those of its members.

The global economy now requires a resumption of sustainable growth, and global capital markets are essential elements in providing the necessary finance for growth and development. The use of consistent and comparable financial statements across jurisdictions is an essential element of a capital market infrastructure that supports cross-border market activity and capital flows for financing sustainable growth and development.

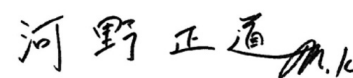
In response to such calls, work to achieve convergence between the IFRS Standards and national accounting standards has been making steady progress in the past decade, although it has seemed to be encountering difficulties recently. It is clear that more time and effort will be needed to achieve largely harmonised standards in a number of key areas such as leasing and insurance.

In an increasingly globalised capital market, one needs to be aware of the costs incurred by not having globally consistent and comparable financial statements. Investors and preparers are paying the cost of being forced to use different accounting standards in parallel, often producing different results for the same firm during the same period. Consistent implementation of different standards in such areas as expected-loss provisioning would be particularly challenging, undermining comparability and confidence in the financial reports of banks and other financial institutions.

According to a survey conducted in Japan, consistency among group entities situated in multiple jurisdictions and markets was the most common advantage that preparers derived from the voluntary adoption of IFRS Standards. This was followed by the advantages of enhanced comparability with competitors and the ease of making explanations to investors. While there are initial costs of adoption, such benefits to stakeholders are clear in the longer term.

In aiming for the ultimate goal of a single set of global accounting standards, one needs to develop an element of trust and a sense of ownership for those global standards among the broad range of stakeholders worldwide. Public trust must be there both for the content of the standards and the process of standard-setting. The challenge is how to build trust towards, and to ensure accountability of, the standard-setting process in a rapidly changing environment that requires enhancements of the Standards and their implementation globally.

This is why proper and effective governance over the standard-setting process is critical. Because further progress has been made towards global adoption of IFRS Standards in recent years, there is a need to further improve governance at the IFRS Foundation, as the stakeholder community grows on a global scale. The Monitoring Board is aware of this challenge, and in the context of the Review it is exploring how to improve the governance of the IFRS Foundation in close consultation with the Trustees. Through this and other work, the Monitoring Board intends to live up to its mission of further enhancing public interest oversight over the activities of the IFRS Foundation.



Masamichi Kono  
Chair  
IFRS Foundation Monitoring Board

# Members of the Monitoring Board

At 31 December 2015

## Monitoring Board members

### Masamichi Kono (Chair)

Vice-Minister for International Affairs of the Financial Services Agency, Japan

### Mary Jo White

Chairman of the Securities and Exchange Commission, United States

### Jonathan Hill

Commissioner for Financial Stability, Financial Services and Capital Markets Union, European Commission

### Greg Medcraft

Representative of the IOSCO Board (Chairman)<sup>1</sup>, Chairman of the Australian Securities and Investments Commission, Australia

### Bert Chanetsa

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

### Leonardo Porciúncula Gomes Pereira

Chairman of the Brazilian Securities Commission, Brazil

### Jong-Yong Yim

Chairman of the Financial Services Commission, Republic of Korea

## Observers

### Yu Weiwei

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

### René van Wyk

Representative of the Basel Committee on Banking Supervision

<sup>1</sup> Mr Medcraft served as Chairman of the IOSCO Board until 12 May 2016.

# Report of the Chair of the IFRS Foundation Trustees



MICHEL PRADA  
CHAIR  
IFRS FOUNDATION TRUSTEES

I am pleased to report that 2015 has been a year of continued progress towards our various organisational goals. The International Accounting Standards Board (the Board), under Hans Hoogervorst's leadership, has finalised major Standards that have required an intense due process in order to complete their strategic goals. We have seen encouraging steps towards IFRS Standards across the major Asian economies, as well as a very positive assessment of Europe's experience of IFRS Standards. We have strengthened our organisation and relationships with key stakeholder groups around the world, while also seeking feedback on our future priorities and direction.

## Consolidating global acceptance

The latest update to our research on the use of IFRS Standards shows that 119 of 143 jurisdictions, or 83 per cent, now require the use of IFRS Standards for all or most publicly listed companies. If you include jurisdictions that allow voluntary use of the Standards, then the number increases to more than 90 per cent.

Moreover, over half of all surveyed jurisdictions now require or permit the *IFRS for SMEs* Standard. The uptake of this Standard in such a short period of time – it was issued in 2009 – is remarkable; it is already used by tens of millions of companies around the world.

During 2015, we also saw very positive progress towards IFRS Standards among the large Asian economies. Indian companies are moving to Ind AS, which are substantially aligned with IFRS Standards. In Japan, the trend of voluntary IFRS adoption has continued. At the end of the year, around 128 of Japan's largest companies had embraced IFRS Standards over other alternatives – representing approximately 20 per cent of the Tokyo Stock Exchange's total market capitalisation.

In China, there is a strong appetite to explore further use of IFRS Standards, especially for internationally oriented Chinese companies. This was highlighted by our joint statement with the Chinese Ministry of Finance in November 2015. It substantially updated the 2005 Beijing Joint Statement and reaffirmed China's commitment to achieve full convergence with IFRS Standards.

There were positive developments in the jurisdictions where IFRS Standards have been required for some time as well. The European Commission's 2015 report on a decade of IFRS reporting concluded that IFRS Standards have improved transparency and comparability of financial statements in the European Union – see further details on the report on page 28.

While foreign registrants are allowed to list on US regulated markets using IFRS Standards, what will happen in the US with regard to our Standards for domestic companies is still not clear.

However, it is in everyone's interest to seek to maintain existing levels of convergence between US GAAP and IFRS Standards. The Board will continue to co-operate with the US Financial Accounting Standards Board and other national standard-setters through the auspices of the Accounting Standards Advisory Forum (ASAF). The ASAF is fundamental to helping us continue on the road towards the objective of a single set of high quality international accounting standards, which has been repeatedly endorsed by the G20 leaders and the Financial Stability Board.

## Enhancing cooperation

The success of the IFRS Foundation owes much to the ongoing support of a broad range of stakeholders from around the world. Over the past year, we have invested a great deal of time in further strengthening our relationships with those stakeholder groups. Perhaps the best example of this is our *Investors in Financial Reporting* programme (IiFR). During 2015, we added several new buy-side investors and analysts to this group and hosted a number of sessions with IiFR members, to seek their views on our work and to help them better understand upcoming changes in IFRS Standards. This really is a showcase programme that has been warmly received by the investor community and other stakeholders alike.

We have also in 2015 completed a review of the ASAF. It was established in 2013 on the IFRS Foundation Trustees' (the Trustees) recommendation to facilitate input from and discussion about technical matters with leading standard-setters and regional bodies from around the world. The review confirmed that the ASAF has established itself as a key advisory group to the Board, and we continue to hear positive feedback from ASAF members.



In addition, we are further developing our stakeholder engagement activities, particularly around the Trustees' meetings that take place in different countries around the world. In parallel with these meetings, we act as a partner with the relevant authority to co-host programmes of stakeholder meetings, education sessions and a stakeholder event for senior figures from that geographical area. During 2015, such events were held in Beijing, London, Toronto and Zurich.

## Strengthening institutional resilience

In 2015, a number of developments have further strengthened the institutional resilience of the IFRS Foundation. We are well on the way to building up a year of reserves, cementing the organisation's financial stability. We are also working hard to ensure that funding is fair and equitable across all jurisdictions that benefit from our Standards, and that commercial organisations that benefit from the use of the Foundation's intellectual property obtain the appropriate licences. These activities will help to ensure that the organisation has the necessary resources to achieve our public interest mission.

We are undertaking important work to protect our trade marks and manage our intellectual property as well, and have a large project under way to upgrade our public website, our main communication channel.

## Encouraging consistent application

High-quality Standards serve the public interest by fostering trust, growth and long-term financial stability in the global economy. Even for people who never look at financial reports, it is important that accounting standards lead to financial reporting that is both informative and trustworthy. However, good Standards are just the starting point. They must be accompanied by consistent application and sound enforcement mechanisms to truly bring about the benefits. To achieve this objective, during 2015, the IFRS Foundation has further strengthened its working relationships with enforcement bodies, such as IOSCO and other regulators.

We also have a role in supporting implementation and encouraging consistent application of our Standards—and already have a range of activities in this area. These include the work of the IFRS Interpretations Committee, whose remit it is to monitor implementation issues and provide authoritative guidance, and the work we do to support adopters through our education activities.

## Focussing on the future

We are continuing to look at ways in which we can improve and safeguard the organisation's resilience through a strong governance structure, stable funding arrangements and efficient operations. In 2015, we started the process of reviewing the structure and effectiveness of the IFRS Foundation. We have sought feedback on a number of topics, including how to ensure that IFRS Standards remain relevant, what role we should play in supporting consistent application of the Standards and other matters related to governance and financing.

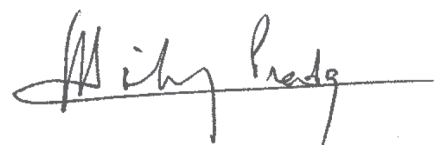
The Trustees put forward a range of proposals and received almost 100 comment letters in response. We have also discussed the proposals in detail with our key advisory groups, including the IFRS Advisory Council. Early analysis of the feedback shows there is general support for the organisation's strategic direction, but there are also a number of helpful suggestions about where we should focus our future efforts. This evaluation is being conducted in parallel with the Board's own Agenda Consultation. We are working towards concluding the Trustees' review and will publish our recommendations during the second half of 2016.

Finally, under the guidance of Yael Almog, our Executive Director, the IFRS Foundation has been seeking to sharpen its focus on its strategic goals in order to ensure that our day-to-day activities are fully aligned behind those objectives. Those goals are to develop high quality Standards, to encourage their global adoption, to support consistent application and to ensure strong institutional arrangements.

The following table describes in more detail this alignment and how our various activities all fit within the strategic framework.

## Thank you

None of the above would have been possible without the dedicated support we receive from people both on the inside and outside of the organisation—for which I am thankful. I would especially like, on behalf of the Trustees, to pay tribute to the staff for their excellent work over the past year.



Michel Prada  
Chair of the IFRS Foundation Trustees



## Strategic priorities 2016 and beyond

Priority	Objectives	Actions
1. Develop a single set of high-quality, globally enforceable accounting standards	Maintain and develop IFRS Standards	Complete the remaining major projects – Insurance Contracts, <i>Conceptual Framework</i> and Disclosure Initiative  Finalise Agenda Consultation
	Ensure IFRS Standards serve the public interest	Continue to monitor the Board's Due Process, including benchmarking against relevant frameworks and similar organisations  Continue to develop investor outreach, including review of the <i>Investors in Financial Reporting</i> programme  Implement strategy on relationships with wider community of national and regional accounting standard-setters
	Ensure best professional practices are embedded in standard-setting	Embed effective use of the research resources team  Further enhance the quality control of Due Process documents
	Ensure the relevance of IFRS Standards is maintained	Implement the outcome of the Trustees' <i>Review of Structure and Effectiveness</i>  Dedicate staff to monitor developments in wider corporate and other reporting  Review IFRS Taxonomy strategy and monitor the wider impact of technology on financial reporting
2. Pursue global adoption of IFRS Standards	Provide high-level support to jurisdictions that have adopted IFRS Standards	Maintain policy and technical outreach with adopters of IFRS Standards via a stakeholder engagement programme  Support jurisdictions in their endorsement of IFRS 9, IFRS 15 and IFRS 16
	Support adoption/convergence of IFRS Standards	Continue to develop and enhance relationships to support adoption/endorsement in full and without modification
	Ensure continued support for the mission of a single set of global standards	Work in close co-operation with other relevant international and regional organisations  Ensure that key stakeholders are well briefed on topics relevant to the IFRS Foundation and International Accounting Standards Board
	Protect the IFRS brand	Maintain and support proper use of our trade marks and other intellectual property

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Priority	Objectives	Actions
3. Support consistent application and implementation of IFRS Standards	Maintain an effective Interpretation process	Address any issues identified in the Agenda Consultation and/or <i>Review of Structure and Effectiveness</i>
	Provide implementation support to adopters of IFRS Standards	Review strategy to support global consistency of application of IFRS Standards following the completion of the <i>Review of Structure and Effectiveness</i>
	Further develop educational activities	Deliver education conferences and workshops Explore new education products/services to increase understanding and support better application of IFRS Standards
4. Ensure continued independence, stability and accountability of the IFRS Foundation	Maintain and develop the governance structure of the Foundation to ensure independence and accountability	Complete <i>Review of Structure and Effectiveness</i> to explore and consult on further enhancements
	Ensure sufficient funding through contributions and self-generated income	Explore further progress with non-paying jurisdictions or jurisdictions that do not meet their GDP targets
		Establish network for mid-tier accounting firms and encourage contributions via wider participation in Foundation's activities.
		Continue review of the use of IFRS materials to ensure licensing agreements accurately reflect the use of the Foundation's intellectual property
	Align external affairs activities with strategic challenges	Launch upgraded website and associated social media programme
		Efficiently and clearly communicate developments, using a range of channels and tools
		Promote mission statement and high levels of understanding of public interest role Provide effective co-ordination and management of key stakeholder relationships
	Ensure compliance and best practices	Monitor compliance requirements
		Ensure continued staff compliance with all relevant jurisdictional requirements
	Seek ways to improve operational efficiency	Continue to maintain tight control of costs and seek ways to further enhance operational efficiency

# Trustees of the IFRS Foundation



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

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

*Second term expires: December 2017*



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

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

*Second term expires: December 2017*



**Sheila Fraser, Vice-Chair (North America)**

Former Member of the International Public Sector Accounting Standards Board (IPSASB); former Auditor General of Canada; former Chair of the Canadian Public Sector Accounting Board (Canada)

*Second term expires: December 2018*

## Africa



**Wiseman Nkuhlu**

Former Economic Adviser to former South African President Thabo Mbeki; former President of the South African Institute of Chartered Accountants; former Chairman of the South African Council of Higher Education (South Africa)

*Second term expires: December 2018*

## Asia-Oceania



**Chandrashekhar Bhasker Bhawe (C.B. Bhawe)**

Former Chairman of the Securities and Exchange Board of India (SEBI) (India)

*Second term expires: December 2017*



**Duck Koo Chung**

Former Minister of Commerce, Industry and Energy for the Republic of Korea (Republic of Korea)

*Second term expires: December 2016*



**Dr Abdulrahman Al-Humaid**

Chairman of the Committee for Adopting International Accounting Standards of the Saudi Organization of Certified Public Accountants (SOCPA); former Chairman of the Saudi Accounting Standards Committee (Saudi Arabia)

*Second term expires: December 2018*



**Jin Liquan**

President of the Asian Infrastructure Investment Bank; former Chairman of China International Capital Corporation Limited; member of the foreign policy advisory committee of the Chinese Foreign Ministry; Honorary Chairman of the International Forum of Sovereign Wealth Funds (China)

*First term expires: December 2016*

Asia-Oceania *continued...***Joji Okada**

Corporate Auditor of  
Mitsui & Company Limited  
(Japan)  
*Second term expires: December 2018*

**Dr Takafumi Sato**

President of Japan Exchange Regulation;  
former Commissioner of the Financial  
Services Agency  
(Japan)  
*First term expires: December 2017*

**Lynn Wood**

Former Chairman of the Australian  
Financial Reporting Council; former  
member of the New Zealand External  
Reporting Board; former member of the  
Australian Foreign Investment Review Board  
(Australia)  
*Second term expires: December 2019*

## Europe

**Werner Brandt**

Chairman of the German Financial  
Reporting Enforcement Panel (FREP);  
member of the Supervisory Board of several  
prominent German companies; former  
member of the Board of the Accounting  
Standards Committee of Germany (DRSC)  
(Germany)  
*First term expires: December 2017*

**Sir Callum McCarthy**

Former Chairman of the Financial  
Services Authority (FSA);  
Non-executive director of Industrial  
and Commercial Bank of China and  
Intercontinental Exchange  
(UK)  
*Second term expires: December 2017*

**Marco Onado**

Senior Professor of Financial Institutions,  
Bocconi University, Milan; Chairman,  
Pioneer Global Asset Management  
(Italy)  
*Second term expires: December 2017*

**Dick Sluimers**

Former Chief Executive Officer,  
APG Group; former Chair and Chief  
Executive Officer, ABP; former Director  
General of the National Budget,  
Dutch Finance Ministry  
(Netherlands)  
*Second term expires: December 2016*

**Antonio Zoido**

Chairman of the Board and Chief  
Executive Officer, Bolsas y Mercados  
Españoles (BME)  
(Spain)  
*Second term expires: December 2016*

## North America



### **Alan Beller**

Partner at Cleary Gottlieb Steen & Hamilton LLP; member of the Board of Directors of The Travelers Companies; former Director of the Division of Corporation Finance of the US Securities and Exchange Commission (SEC) and Senior Counsellor to the SEC (United States)

*First term expires: December 2017*



### **James (Jim) Quigley**

CEO Emeritus, former Senior Partner, Deloitte US; former CEO of Deloitte, Touche & Tohmatsu Limited (DTTL) (the global network) (United States)

*Second term expires: December 2017*



### **Kurt Schacht**

Managing Director, CFA Institute Standards and Advocacy Division; Chairman, US Securities and Exchange Commission's Investor Advisory Committee (United States)

*First term expires: December 2017*

## South America



### **Maria Helena Santana**

Former Chair and President, Comissão de Valores Mobiliários (CVM); former Executive Officer, Brazilian Stock Exchange (BOVESPA); former Chair of IOSCO's executive Committee and member of the International Integrated Reporting Council (Brazil)

*Second term expires: December 2019*



### **Heidi Miller**

Former President of International Operations and Strategy, JPMorgan Chase & Company; former Chief Executive Officer of the Treasury and Securities Services Unit, JPMorgan (United States)

## Retired at the end of 2015

## Trustee Committees

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



# Report of the Due Process Oversight Committee



JAMES (JIM) QUIGLEY  
CHAIR  
DUE PROCESS OVERSIGHT  
COMMITTEE

This is my first annual report as Chair of the Trustees' Due Process Oversight Committee (DPOC), a role I was honoured to accept in April 2015. The DPOC plays a vital role in setting the due process requirements for the International Accounting Standards Board (the Board), reviewing the Board's compliance with those requirements, and ensuring that the IFRS Foundation Trustees' (the Trustees) fulfil their oversight function in accordance with the IFRS Foundation Constitution.

## Report on progress against priorities for 2015

The DPOC identified five main priorities for 2015.

- 1. Work in close co-operation with the Board to ensure that projects due for completion in 2015 have been developed in accordance with the Board's due process requirements. The DPOC will conduct a complete review of the due process followed for each major new Standard.**

The DPOC received regular reports on the due process status of each major Board work plan project in 2015 and focussed on confirming that the projects had followed due process steps outlined in the *Due Process Handbook*. The DPOC has reviewed all work plan projects, including major projects such as Leases, Revenue Recognition, Insurance Contracts, and Rate-regulated Activities, as well as reviewing the *Conceptual Framework* and the Disclosure Initiative. In all cases, the DPOC has been satisfied that due process requirements have been met. The DPOC will continue to review projects that have yet to be completed.

During 2015, the DPOC carried out two life cycle reviews of projects as they neared completion: the first was on the revised *IFRS for SMEs* Standard, following a comprehensive review by the Board; the second was on the Board's project on accounting for leases. In both cases, the DPOC confirmed that the Board had completed all the due process steps necessary to move to balloting on the final Standard.

The DPOC also received a report setting out a summary of the conduct and the main findings of the Board's Post-Implementation Review (PIR) of IFRS 3 *Business Combinations*, together with a draft of the Board's report and feedback statement on the PIR. The DPOC confirmed it had completed its review and that all the due process steps had been followed. In the light of the successful DPOC review, the Board finalised the report and feedback statement on the PIR, which was published in June 2015.

- 2. The DPOC will encourage the Board to complete the trial runs in relation to the proposed changes to the IFRS Taxonomy due process without delay and, subject to the outcome, to implement the proposed changes as soon as possible.**

The DPOC continued to monitor the progress of the Board's proposed changes to due process for the IFRS Taxonomy. The purpose of these proposed changes is to further align the development of the IFRS Taxonomy with the Board's Standard-setting processes, including, but not limited to, the Board's review and approval of the content of the IFRS Taxonomy. The Board carried out trials of the proposed new due process during the second half of 2014 and first half of 2015, covering an update related to a new Standard and an update for common practice. These trials were designed to make Board members feel comfortable with the proposed new process.

At its meeting in October 2015, the DPOC considered and approved an Invitation to Comment on *Due Process Handbook* amendments reflecting proposed changes to the IFRS Taxonomy due process. The amendments were still open for comments at the end of 2015.

- 3. The DPOC will monitor the implementation of the recommendations of the report of the Effects Analysis Consultative Group, which will further embed effects analysis within the Board's due process.**

The Effects Analysis Consultative Group (Consultative Group) was formed in 2013 to identify best practices in the assessment of a new Standard's potential effects and to enhance the confidence in, and efficiency of, the Board's processes.

The Consultative Group's report, published in November 2014, identifies recommendations related to general-purpose financial reports, fieldwork and the reporting of likely effects. The recommendations build upon the Board's already extensive methodology for undertaking effects analysis. In 2015, the Consultative Group updated the DPOC on the effects-analysis report on leases (published in January 2016).

**4. The DPOC will continue to review the technical staff's annual review of the effectiveness of consultative groups to assess whether each group is continuing to serve the function for which it was established and, if that is the case, the membership should stay the same.**

The *Due Process Handbook* requires the DPOC to review all consultative groups each year. The DPOC considered the latest annual review at its meeting in June 2015. The DPOC considered and accepted the technical staff's assessment and recommendations, which included a recommendation to disband the Leases Working Group, following consultation with the group on the external review of the proposed Leases Standard.

**5. The DPOC will continue to review the Board's reporting of the feedback from outreach and fieldwork activities, including that provided by the Board's main advisory bodies and consultative groups.**

During the year, the DPOC paid close attention to the staff's efforts to improve the reporting of feedback in line with the principle that any feedback should be reported as transparently as possible while respecting requests for confidentiality.

The DPOC also accepted the Board's proposals for improving public disclosure of rationales used to reach both tentative decisions and final conclusions on major projects, with special attention to issues that received substantial debate in the exposure process. The Board proposed enhancing the transparency of how it handles correspondence received outside a formal comment period during reconsiderations of due process documents and improving the Board's feedback to its main advisory bodies.

## Priorities for 2016

The DPOC will continue to work in close co-operation with the Board to ensure that projects due for completion in 2016 follow the Board's due process requirements. The DPOC will conduct a complete review of the due process followed for each major new Standard. The DPOC will also consider the Board's proposals for its agenda in the light of feedback to its 2015 *Agenda Consultation*. This is in addition to full evaluation by all Trustees of the *Agenda Consultation* process.

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

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

The DPOC will continue to monitor the Board's implementation of the recommendations of the Consultative Group, which will further embed effects-analyses within the organisation's due process.

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



James Quigley  
Chair  
Due Process Oversight Committee





## 2. Standard-setting activities

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# Report of the Chair of the International Accounting Standards Board



HANS HOOGERVORST  
CHAIR  
INTERNATIONAL ACCOUNTING  
STANDARDS BOARD

## A year of substantial achievement

The theme of this year's annual report is 'focussing on the future'. 2015 was a year in which we were able to bring a number of projects on our current work plan to the final stages while at the same time beginning to set out plans for the future.

## Advancing major projects

One of the great achievements for 2015 was the hard work undertaken by our staff to finalise work on our new *Leases* Standard, IFRS 16. Leasing is the largest single source of off-balance sheet financing. While the leasing industry has not stood still, the accounting requirements for leases date back more than 30 years. IFRS 16 is a major revision of this accounting and requires all leases to be reported on a lessee's balance sheet as assets and liabilities. The new Standard will provide much-needed transparency around these assets and liabilities, meaning that off-balance sheet lease financing is no longer lurking in the shadows.

We have also made good progress on the Insurance Contracts project. The Board has now completed the technical deliberations on this project, with those decisions largely consistent with the feedback that we had received on the June 2013 Exposure Draft. This project will bring much-needed transparency to the plethora of accounting practices currently used throughout the industry. The new Standard will result in a more realistic depiction of the financial performance of the insurance industry and better comparability around the world, which is especially important in the current period of economic volatility. The urgency of this project was underlined by a call from the Financial Stability Board in late 2015 for the Board to finalise the Insurance Contracts Standard as soon as possible.

The Board also took important steps to revise its *Conceptual Framework*, including the publication of an Exposure Draft in May 2015 outlining a range of proposals. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. It identifies principles for the Board to use when it develops and revises its Standards. When published, the new *Conceptual Framework* will create more clarity around the definition of assets and liabilities and will give improved guidance on measurement and the use of Other Comprehensive Income. Continued work on this important project will be a top priority for 2016.

Finally, we continue to make good progress with the Disclosure Initiative portfolio of projects. The Disclosure Initiative is being undertaken with the aim of improving disclosures in financial reporting, making them more effective and, we hope, less voluminous. We have already delivered a host of elements of this project and hope to soon publish a Discussion Paper on the Principles of Disclosure, which is the cornerstone of the Disclosure Initiative. The Board has also issued amendments to IAS 7 *Statement of Cash Flows*. These amendments will help investors to evaluate changes in liabilities arising from financing activities.

## Supporting transition and implementation

In addition to our work on the major projects during 2015, we have also invested a great deal of effort to ensure the recently issued major Standards on Revenue Recognition and Financial Instruments are capable of being applied and enforced on a globally consistent basis.

The Board published an Exposure Draft in July 2015 proposing clarifications to IFRS 15 *Revenue from Contracts with Customers*. The clarifications result from the Board's consideration of issues discussed by the Revenue Transition Resource Group (TRG). The Board is now of the view that stakeholders need to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes.

We have also held meetings during 2015 of the Impairment TRG, set up to help the implementation of the impairment element of IFRS 9 *Financial Instruments*, issued in 2014. The objective of this group is to provide a forum for stakeholders to discuss emerging implementation issues arising from the new impairment requirements set out in IFRS 9 *Financial Instruments*. No amendments to IFRS 9 are planned.

## Focussing on the future

As the projects described above are concluded, attention turns to our future plans and priorities. In August 2015, we launched our second public consultation to seek broad public input on our strategic direction and overall balance of our future work programme. This review seeks feedback on our research agenda, standard-setting priorities as well as maintenance and implementation projects. The consultation received around 100 comment letters and we are currently analysing feedback received from this consultation, as well as other relevant feedback from the IFRS Foundation Trustees' *Review of Structure and Effectiveness*.

It is too early to draw specific conclusions about new projects to take on, or indeed changes to the priority of existing projects. However, there are certain themes that are beginning to emerge

First of all, one of the challenges for the coming years will be to ensure that IFRS Standards further strengthen their relevance in an ever-changing world. The world of financial statements needs to be the anchor of trust for investors, rather than the sugar-coated realm of non-GAAP measures.

That means we must improve the communication value of financial reporting. We must make disclosures more effective and discourage boilerplate reporting. We must improve performance reporting, making financial reporting easier to digest without sacrificing the quality and rigour of our Standards.

Second, there are other issues to consider. How should financial reporting relate to broader issues of corporate reporting, such as integrated reporting, where sustainability and value creation are central themes? What about the impact of technology and digital insights on financial reporting? In that regard, we have recently brought together into a single team the existing activities on the Disclosure Initiative, the IFRS Taxonomy, Primary Financial Statements, and a new area of work to look at the place of financial reporting in the wider context of corporate reporting. There are clear synergies between all these areas and, by bringing the work streams together, we believe we can get the most out of our efforts.

Third, to support our strategy on implementation and adoption, we have consolidated a number of functions into one team, which includes Implementation and Adoption Support, Interpretation activities and Education. This new structure reinforces our existing efforts to support the consistent application of our Standards.

Finally, we fully expect that feedback from our Agenda Consultation will result in changes to our Research programme. The purpose of this programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcomings and assessing potential ways to improve financial reporting or to remedy a deficiency. Our focus on evidence-based standard-setting will undoubtedly increase the importance of our research work. At the same time, we also recognise the need to draw upon the resources and expertise of others in order to deliver the necessary high quality research. That is why, during 2016, we will be encouraging a range of stakeholders to deepen their involvement in research-related activities, including academics, standard-setters and others.

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



Hans Hoogervorst  
Chair  
International Accounting Standards Board

# Members of the International Accounting Standards Board



**Hans Hoogervorst, Chair**  
Former Chairman, Netherlands  
Authority for the Financial Market (AFM)  
(The Netherlands)  
*Second term expires: 30 June 2021*



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

## Africa



**Darrel Scott**  
Former Chief Financial Officer,  
FirstRand Banking Group  
(South Africa)  
*Second term expires: 30 June 2018*

## Asia-Oceania



**Takatsugu (Tak) Ochi**  
Former Assistant General Manager,  
Sumitomo Corporation; former advisor,  
Nippon Keidanren and Accounting  
Standards Board of Japan  
(Japan)  
*Second term expires 30 June 2019*



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



**Wei-Guo Zhang**  
Former Chief Accountant and Director General,  
Department of International Affairs,  
China Securities Regulatory Commission  
(People's Republic of China)  
*Second term expires 30 June 2017*



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

## Europe



**Stephen Cooper**

Former Managing Director,  
Head of Valuation and Accounting  
Research, UBS  
(United Kingdom)  
*Second term expires: 31 July 2017*



**Philippe Danjou**

Former Director of the Accounting Division,  
Autorité des Marchés Financiers  
(France)  
*Second term expires 31 October 2016*



**Martin Edelmänn**

Former Head of Group Reporting,  
Deutsche Bank  
(Germany)  
*First term expires: 30 June 2017*

## North America



**Patrick Finnegan**

Former Director, Financial Reporting  
Policy Group, CFA Institute for Financial  
Marketing Integrity  
(United States)  
*Second term expires: 30 June 2019*



**Gary Kabureck**

Former Chief Accounting Officer  
and Corporate Vice-President,  
Xerox Corporation  
(United States)  
*First term expires: 30 June 2017*



**Mary Tokar**

Former global leader of International  
Financial Reporting Group, KPMG  
(United States)  
*First term expires: 30 June 2017*

## South America



**Amaro Luiz de Oliveira Gomes**

Former Head of Financial System  
Regulation Department,  
Central Bank of Brazil  
(Brazil)  
*Second term expires: 30 June 2019*



# Technical activities and development of IFRS Standards

Project	Status
<b>IFRS Standards projects</b>	
Insurance Contracts	The objective of this project is to improve financial reporting by providing a consistent basis for the accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position and financial performance. The International Accounting Standards Board (the Board) has issued two Exposure Drafts setting out relevant proposals. In January 2016, the Board completed the planned technical decisions needed to finalise the insurance contracts Standard. The Board expects to finalise this new Standard around the end of 2016.
Rate-regulated Activities	The objective of this project is considering whether (or how) IFRS Standards should be amended to change how entities report the effects of rate regulation. The next step is likely to be a second Discussion Paper.
<b>Conceptual Framework</b>	
Conceptual Framework	The objective of this project is to provide the Board with a complete, clear and updated set of concepts to use when it develops or revises IFRS Standards. The Board issued an Exposure Draft of proposed changes to the <i>Conceptual Framework</i> in May 2015 and is currently discussing the feedback received. The Board expects to issue a revised <i>Conceptual Framework</i> in 2017.
<b>Disclosure Initiative</b>	
Principles of Disclosure	The objective of this project is to identify and develop a set of principles for disclosure that could form the basis of an IFRS Standards-level project. The focus is on reviewing the general requirements in IAS 1 <i>Presentation of Financial Statements</i> , and considering how they may be revised. The Board expects to issue a Discussion Paper for this project in 2016.
Materiality	The objective of this project is reviewing how materiality is applied in practice when preparing IFRS financial statements. The Board published a draft Practice Statement on the topic in October 2015 and is currently analysing the feedback on that document.
Standards-level review of disclosures	The objective of this project is to develop a drafting guide for the Board to use when developing disclosure requirements in new and amended IFRS Standards. The project also aims to identify targeted improvements to disclosure requirements in existing IFRS Standards. The scope of this project will be determined after considering feedback from the Principles of Disclosure Discussion Paper.
Amendments to IAS 7	The objective of this project was to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities. The Board completed this project by issuing amendments to IAS 7 <i>Statement of Cash Flows</i> in January 2016.
<b>Agenda Consultation</b>	

The Agenda Consultation gathered views on the strategic direction and balance of the Board's work plan from all those interested in financial reporting. The consultation was open for public comment from 11 August 2015 until 31 December 2015. The Board will use the feedback to help set its priorities for its work plan (its technical agenda) from mid-2016 (when the Board expects to complete the Agenda Consultation) until mid-2020 (when its next Agenda Consultation is due to be completed).

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Project	Status
<b>Research</b>	
<p>The purpose of the research programme is to collect evidence on the nature and extent of perceived financial reporting problems and assess potential ways to improve financial reporting or to remedy a deficiency to help the Board to decide whether it should start an IFRS Standards-level project. The research programme is a portfolio of projects of varying breadth, scope and complexity, and these projects are at various stages.</p> <p>The Board has reviewed the staff's findings to date in the following eight research projects and will review further analysis before deciding what steps to take next, if any.</p>	
Discount Rates	This research project is reviewing discount rate requirements in IFRS Standards to identify whether there are any inconsistencies that the Board should consider addressing.
Dynamic Risk Management	This project is assessing whether the Board should develop an approach to reporting dynamic risk management activities. Views on the Discussion Paper <i>Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging</i> published during 2014 were diverse. The next step is likely to be a second Discussion Paper.
Financial Instruments with Characteristics of Equity	Some financial instruments have characteristics of both liabilities and equity. This project is investigating whether improvements can be made to how these instruments are classified, and to the presentation and disclosure requirements for such instruments.
Goodwill and Impairment	This project resulted from the Post-Implementation Review of IFRS 3 <i>Business Combinations</i> . The project is assessing whether, and if so how, to address issues raised about identifying and measuring intangible assets acquired in a business combination; subsequent accounting for goodwill and impairment testing of goodwill and of other non-current, non-financial assets.
Pollutant Pricing Mechanisms	This project is assessing whether the Board should consider addressing any diversity that may exist in accounting for pollutant pricing mechanisms (including emissions trading schemes).
Post-employment Benefits	There is a growing range of hybrid pension plan designs that incorporate features of both defined contribution and defined benefit plans. Such plans were not envisaged when IAS 19 <i>Employee Benefits</i> was developed and applying IAS 19 to those plans is problematic. This project is exploring whether a feasible solution can be developed
Provisions, Contingent Liabilities and Contingent Assets	This project is assessing whether the Board should consider amending any aspects of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> in the light of possible changes to the <i>Conceptual Framework</i> .
Share-based Payments	The project is identifying the most common areas of complexity in accounting for share-based payments, and their main causes, to assess whether the Board should consider addressing them.

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Project	Status
The following four projects are in their early stages and the staff's preliminary analysis has not yet been presented to the Board.	
Business Combinations Under Common Control	The Board does not currently have requirements for business combinations under common control, for example in preparing for initial public offerings. The project is looking to identify which method(s) of accounting for such transactions would provide the most useful information.
Equity Method of Accounting	The equity method is used in accounting for investments in associates and joint ventures. The project is assessing whether the Board should consider addressing problems that arise in practice when applying the equity method. Later research might consider whether there is a need for a fundamental review of the equity method itself.
Income taxes	This project is assessing whether the Board should consider addressing problems that arise in applying IAS 12 <i>Income Taxes</i> .
Primary Financial Statements (previously Performance Reporting)	This project will assess whether the Board should consider developing further requirements on the purpose, structure and content of the statement(s) of profit or loss and other comprehensive income, statement of financial position (the balance sheet), statement of cash flows and statement of changes in equity.
The following three research projects are inactive. The Board will review any new evidence provided by the responses to the Agenda Consultation.	
Foreign Currency Translation	This completed project assessed whether the Board should consider amending IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> .
High Inflation	This completed project assessed whether the Board should consider amending IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> .
Extractive Activities, Intangible Assets, Research and Development Expenditure	The objective of this research project was to analyse the financial reporting issues relating to extractive activities and to consider the accounting for intangible assets and for research and development activities that have parallels with extractive activities. The Board has not carried out any work on this project.

## Implementation activities

The Board's implementation activities include:

- (a) supporting the implementation of newly issued IFRS Standards; and
- (b) conducting post-implementation reviews; and
- (c) resolving implementation issues identified by issuing Interpretations or narrow-scope amendments to IFRS Standards.

The Board's implementation activities are supported by the work of the IFRS Interpretations Committee.

## Implementation of newly issued IFRS Standards

During 2015, in support of the implementation of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, the Transition Resource Groups for Impairment of Financial Instruments and Revenue Recognition met several times. In addition, the IFRS Foundation held implementation sessions at conferences and issued education materials.

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Project	Status
<b>Post-implementation reviews</b>	

In 2015, the Board published a Feedback Statement detailing its findings from its post-implementation review of IFRS 3 *Business Combinations*. As a result of those findings, the Board started two projects:

- A narrow-scope project to clarify the Definition of a Business; and
- A research project on Goodwill and Impairment

The Board and the United States Financial Accounting Standards Board (US FASB) are now co-ordinating their work on these projects because IFRS 3 and the corresponding US FASB requirements are substantially converged.

In response to the findings of the post-implementation review of IFRS 8 *Operating Segments*, which was completed in 2013, the Board will propose amendments to IFRS 8 with the aim of enhancing information disclosed about segments.

<b>Interpretations and narrow-scope amendments to IFRS Standards</b>	
Applying IFRS 9 with IFRS 4	The Board published an Exposure Draft in December 2015 to address the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming insurance contracts Standard.
Clarifications to IFRS 15	The Board published an Exposure Draft in July 2015 to clarify some of the requirements in IFRS 15 and provide additional transitional relief for companies that are implementing the new Standard. Largely as a result of these proposed clarifications, the Board deferred the effective date of IFRS 15 by one year to 1 January 2018.
Amendments to IAS 19 and IFRIC 14	The Board published an Exposure Draft in June 2015 to address the remeasurement of a defined benefit plan amendment, curtailment or settlement, and the availability of a refund of a surplus from a defined benefit plan.
Uncertainty over Income Tax Treatments	The Interpretations Committee published a draft Interpretation in October 2015 to address how uncertainty is reflected when accounting for current and deferred tax.
Foreign Currency Transactions and Advance Consideration	The Interpretations Committee published a draft Interpretation in October 2015 to clarify which exchange rate to use when reporting a transaction denominated in a foreign currency when an entity pays for goods or services by making a non-refundable payment in advance.

During 2015, the Board also proposed amendments to IAS 1 regarding the classification of liabilities and to IAS 40 *Investment Property* regarding transfers of investment property, and published an Exposure Draft of Annual Improvements. In addition, the Board completed its technical discussion on its amendments to IAS 12 *Income Taxes* regarding the recognition of deferred tax assets for unrealised losses and IFRS 2 *Share-based Payment* regarding the classification and measurement of share-based payment transactions.

New Standards	Issued date	Effective date
IFRS 16 <i>Leases</i>	January 2016	1 January 2019
<b>Amendments</b>		
<i>Effective Date of IFRS 15</i>	September 2015	–
<i>Effective Date of Amendments to IFRS 10 and IAS 28</i>	December 2015	–
<b>IFRS for SMEs</b>		
<i>2015 Amendments</i>	May 2015	1 January 2017

# Senior staff

## Executive Directors



**Yael Almog**  
Executive Director



**Hugh Shields**  
Executive Technical  
Director

## IASB Senior Staff



**Peter Clark**  
Technical Director



**Kumar Dasgupta**  
Technical Director



**Henry Rees**  
Technical Director



**Michael Stewart**  
Director of  
Implementation  
Activities



**Wayne Upton**  
Director of  
International  
Activities,  
Chairman of the  
IFRS Interpretations  
Committee



**Mike Wells\***  
Director of IFRS  
Education Initiative

## IFRS Foundation Senior Staff



**Mark Byatt**  
Director of  
External Affairs



**Miranda Corti**  
Director of  
Operations



**David Loweth**  
Director for  
Trustee Activities

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\* Stepped down at the end of 2015.

# Report of the IFRS Interpretations Committee



WAYNE UPTON  
CHAIR  
IFRS INTERPRETATIONS  
COMMITTEE

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

The Interpretations Committee published two draft Interpretations during 2015. This is noteworthy, not only because of the content of those draft Interpretations, but also because they are the first draft Interpretations since 2012.

Over the last few years much of the Interpretations Committee work has led to the publication of 'Agenda Decisions'. The Interpretations Committee considers all queries it receives and assesses each one to determine whether an issue is widespread, if there is diversity in practice, and to determine whether an amendment or an interpretation of a Standard is needed. When the Interpretations Committee concludes that an amendment or an Interpretation is not needed, it explains the rationale in an Agenda Decision.

The majority of the Agenda Decisions published include the Interpretations Committee's technical analysis of the issue, which in itself can be helpful educational guidance.

The draft Interpretations published in 2015 relate to income taxes and foreign currency translation. The first proposes guidance on how to account for uncertainties in income tax—the appropriate application of tax law to a given circumstance might be unclear, for a variety of reasons. The draft Interpretation provides guidance on how uncertainty in applying the tax law should be reflected in an entity's financial reporting. The second draft Interpretation proposes guidance on accounting for foreign currency transactions (purchases and sales) in which there is a prepayment paid or received. The comments received on these two draft Interpretations will be discussed by the Interpretations Committee in 2016, when members will decide how to finalise the two Interpretations.

The Interpretations Committee discussed and closed 25 submissions in 2015, compared with 31 submissions in 2014. Sixteen of these issues were ones for which the Interpretations Committee concluded that there was sufficient guidance in the Standards and so it explained its technical conclusions in Agenda Decisions. The Interpretations Committee's responses to the remaining submissions included three recommendations to the International Accounting Standards Board (the Board) for amendments to Standards through Annual Improvements, one recommendation to the Board for a narrow-scope amendment to a Standard, and the two draft Interpretations described above.

The other three submissions were ones that the Interpretations Committee published Agenda Decisions for on the grounds that the issues were too broad for it to deal with or that the issue was not widespread and there was limited diversity in practice.

Several Interpretations Committee meetings lasted just one day rather than two, because the number of submissions had declined from the previous year. In response, the Interpretations Committee will hold two of its six meetings by video conference in 2016 to use the members' time more efficiently.

During 2015 we said farewell to Kazuo Yuasa, who had served as a member of the Interpretations Committee for six years. We are very grateful for his service.

Further details of Interpretations Committee work can be found on page 27 of this report.

Wayne Upton  
Chair  
IFRS Interpretations Committee

# Members of the IFRS Interpretations Committee

At 31 December 2015

Name and Affiliation	Term Expires
Andrew Watchman* Global Head of IFRS Grant Thornton International Limited <i>United Kingdom</i>	30 June 2016
Bonnie Van Etten NAFTA Chief Accounting Officer Fiat Chrysler Automobiles <i>United States</i>	30 June 2017
Bruce Mackenzie Managing Partner W Consulting International <i>South Africa</i>	30 June 2017
Carl Douglas Corporate Controller CCR Group <i>Brazil</i>	30 June 2017
Charlotte Pissaridou Managing Director Goldman Sachs <i>United Kingdom</i>	30 June 2017
Feilong Li Executive Director, EVP & CFO China Oil Services Limited <i>China</i>	30 June 2016
John O'Grady Asia Pacific Professional Practice Director Ernst & Young <i>Australia</i>	30 June 2018
Jongsoo Han Member of the Korean Accounting Standards Board (KASB) <i>Korea</i>	30 June 2018
Robert Uhl Global IFRS Leadership Team Deloitte & Touche LLP <i>United States</i>	30 June 2018
Dr Martin Schloemer Head of Accounting Principles and Policies Bayer AG <i>Germany</i>	30 June 2016 (Reappointed until 30 June 2019)

Name and Affiliation	Term Expires
Mikael Hagström Senior Vice President, Head of Corporate Financial Reporting AB Volvo <i>Sweden</i>	30 June 2017
Reinhard Dotzlaw FCPA, FCA Global IFRS Panel KPMG <i>Canada</i>	30 June 2016 (Reappointed until 30 June 2019)
Sandra Peters Head, Financial Reporting Policy CFA Institute <i>United States</i>	30 June 2018
Tony de Bell Global Accounting Consulting Services Leadership Team PwC <i>United Kingdom</i>	30 June 2016 (Reappointed until 30 June 2019)

## Interpretations Committee members retired during 2015

Kazuo Yuasa  
Corporate Executive Officer, VP,  
Vice Head of Corporate Finance  
Fujitsu Limited  
*Japan*

## Non-voting Chairman

Wayne Upton  
Chairman, IFRS Interpretations Committee

\* Stepped down 31 March 2016

# Report of the Chair of the IFRS Advisory Council



JOANNA PERRY  
CHAIR  
IFRS ADVISORY COUNCIL

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

2015 was a year of continuing progress for the Council with its remit of supporting the IFRS Foundation's mission by being forward-looking and strategic.

At the beginning of the year the Council welcomed 16 new members and two new Vice-Chairs—Goro Kumagai and Gavin Francis.

Over the course of three meetings in 2015, the Council discussed, and provided advice on, a range of strategic matters. In particular the Council provided advice to assist the Board and Trustees in the development of two main consultation documents: the *Request for Views on the IASB's 2015 Agenda Consultation* and the Trustees' *Review of Structure and Effectiveness of the IFRS Foundation*. The Council will discuss the feedback on these two consultation documents in 2016.

Other topics discussed included:

- **Accounting Standards Advisory Forum (ASAF):** The Council discussed, and provided advice to the Trustees on, the review of the ASAF being undertaken after its first two years. The Council expressed its support for the continuation of the ASAF and the role it plays on technical matters.
- **New trends in corporate reporting:** The Council continued to receive presentations about, hold discussions on, and provide advice on new trends in corporate reporting. The Council reiterated its advice that the Board should stay involved in discussions at the forefront of such trends to ensure the future relevance of the Board's work.
- **Risks and opportunities facing the IFRS Foundation:** The Council continued its discussions, started in 2014, on the opportunities arising for the IFRS Foundation from the risks identified in its previous discussions. A number of themes emerged including: building the brand, closing the gap with non-GAAP measures and identifying and understanding the impact of technology.
- **IFRS Foundation Strategy:** The Council considered, discussed and provided advice around the 2015-2017 IFRS Foundation strategy.
- **Financial Accounting Standards Advisory Council (FASAC):** The Council received a comprehensive and valuable presentation from the Chairman and Executive Director of the US Financial Accounting Standards Board's primary advisory group FASAC.
- **Members' Communications:** During the year the Council introduced a regular agenda item to allow members to share relevant activities from their member organisations. These presentations and discussions have not

only provided valuable information; they have also helped members to focus on the secondary objective of the Council in relation to communicating the IFRS Foundation mission externally.

- **Education Initiative:** The Council considered the IFRS Foundation's Education Initiative, acknowledging the valuable role it plays and providing some practical considerations for exploring the development of multimedia education materials.
- **Leases Standard:** The Council provided advice on the Board's proposed plans for supporting implementation and consistent application of the new Leases Standard.
- **Research programme:** Members received an update on the research programme and expressed support. The Council emphasised that clarity of communication about the programme is important and questioned whether disruptive research should be a part of the programme.

I thank all Council members for their contribution during 2015. I acknowledge those who completed their terms at the end of 2015 and thank them for their support of the IFRS Foundation. I would also like to thank those IFRS Foundation staff who provide support to the operations of the Council and to me as the Chair. Finally I thank both the Trustees and the Board members themselves. I think the relationship and interactions between the Council, the Trustees and the Board are working well, with the Council providing valuable strategic advice that is respected by each of them.

Joanna Perry  
Chair  
IFRS Advisory Council



# Members of the IFRS Advisory Council

As at 31 December 2015

Represented body	Represented by	Occupation
Chair, IFRS Advisory Council	Joanna Perry	Non-Executive Director
Vice-Chair, IFRS Advisory Council, represents Institute of International Finance	Gavin Francis	Deputy Group Chief Accounting Officer, HSBC
Vice-Chair, IFRS Advisory Council, represents Securities Analysts Association of Japan	Goro Kumagai	Senior Fellow of the Strategic Research Department
Association for the participation of French companies in international accounting harmonisation (ACTEO) and Mouvement des Entreprises de France	Pascale Déprez	Group Policy Director, Saint Gobain Group
Basel Committee on Banking Supervision	René van Wyk*	Head of Bank Supervision and Registrar of Banks, South African Reserve Bank
BDO Stoy Hayward	Dr Jens Freiberg	Head of International Financial Reporting
Brazilian Development Bank	Vania Borgerth	Special Advisor for Corporate Reporting and Corporate Governance
Caisse de dépôt et placement du Québec	Maarika Paul*	Executive Vice-President and Chief Financial Officer
Capital Markets Board of Turkey	Uğur Yaylaönü	Head of Accounting Standards Department
CFA Institute	Vincent Papa	Director, Financial Reporting Policy
Comisión Nacional Bancaria y de Valores, México	Linda Díaz	General Director of Market Supervision
Corporate Reporting Users' Forum	Dr Lothar Weniger	ALIAG, Usingen, Owner
Council of Institutional Investors	Anne Simpson	Director of Global Governance, CalPERS
Deloitte & Touche	Stephen Taylor	Audit Partner
Emirates NBD	Surya Subramanian	Group Chief Financial Officer
Ernst & Young	Danita Ostling	Partner
European Accounting Association	Prof Ann Jorissen	Professor of Accounting, University of Antwerp, Antwerp Management School; Past-President of the European Accounting Association
European Central Bank	Jürgen Kirchhof	Principal Finance Expert, Financial Reporting & Policy Division
European Financial Reporting Advisory Group	Roger Marshall	Acting President
European Round Table of Industrialists and European Issuers	Robert Koethner	Chief Accounting Officer, Daimler AG
European Securities and Markets Authority	Roxana Damianov	Team Leader, Corporate Reporting Team
Fédération Internationale des Experts-Comptables Francophones	Daniel McMahon*	President and CEO of the Ordre des comptables professionnels agréés du Québec, Canada
Federation of Accounting Professions, Thailand	Prasan Chuaphanich	President
Federation of Indian Chambers of Commerce	Rajagopal Sankaraiah	Executive Director Finance, Jubilant Life Science Limited
Ferrovial S.A.	Ernesto López Mozo*	Chief Financial Officer

\* Retired at the end of 2015.

Represented body	Represented by	Occupation
Financial Executives International	Rudolf Bless	Chief Accounting Officer, Bank of America
Financial Reporting Standards Council of South Africa	Garth Coppin	Member
Grant Thornton	Jake Green	Director of Financial Reporting
Group of European National Standard-Setters. Rotating among the standard-setters of France, Germany, Italy and UK	Alberto Giussani*	Professor of International Accounting and Financial Analysis, Catholic University of Milano, Board Member of Organismo Italiano di Contabilità, Italy
HUB Global Insurance Group	Lynda Sullivan	EVP and Group Chief Accounting Officer, Manulife Financial
Insurance Europe	Olav Jones	Deputy Director General
International Actuarial Association (IAA)	Micheline Dionne	Vice Chair of the IAA Insurance Accounting Committee
The International Association for Accounting Education and Research	Prof Holger Daske	Professor and Chair of Accounting and Capital Markets at University of Mannheim
International Association of Insurance Supervisors	Markus Grund	Chief Accountant, Federal Financial Supervisory Authority, Germany
International Corporate Governance Network (ICGN)	Anne Molyneux	Director, CS International and ICGN member
International Federation of Accountants	Stephenie Fox*	Technical Director–International Public Sector Accounting Standards Board
International Monetary Fund	Ghiath Shabsigh	Assistant Director, Monetary and Capital Markets Department
International Organization of Securities Commissions–rotating seat	Ton Meershoek	Technical Expert in Financial Reporting, Netherlands Authority for the Financial Markets
	Areewan Aimdilokwong	Specialist, Accounting Supervision Department, Securities and Exchange Commission of Thailand
Investment Company Institute	Gregory Smith	Director of Fund Accounting and Compliance
Investment Management Association	Peter Chambers*	Warburg Pincus LLC, Executive Consultant
Korean Accounting Standards Board (KASB)	Dr Steve Lim	Advisor, KASB and Professor of Accounting, University of Seoul
KPMG	Egbert Eeftink*	Audit Partner
Ministry of Finance, People's Republic of China	Yang Min*	Director General of Accounting Regulatory Department
National Accounting Institute	Shizhong Huang	Vice President and Professor
National Organisation for Financial Accounting and Reporting Standards (NOFA)	Igor Kozyrev	Chairman of the Management Board of NOFA, Deputy Chief Accountant, Deputy Vice-President, Head of external reporting department, LUKOIL
Nippon Keidanren (Japan)	Hidetake Ishihara	General Manager, Accounting & Finance Division, Nippon Steel & Sumitomo Metal Corporation
PricewaterhouseCoopers	Paul Fitzsimon	Partner, Global Head of Reporting and Chief Accountant
World Bank	Pam O'Connell	Director and Chief Accountant

\* Retired at the end of 2015.

**New members in 2016**

Basel Committee on Banking Supervision	William Coen	Secretary General
La 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
Ministry of Finance, People's Republic of China	Yibin Gao	Director-General, Accounting Regulatory Department
KPMG	Andrew Marshall	Senior Technical Partner, KPMG UK
The Investment Association	Colin McDonald	Director of Accounting Policy, Blackrock
Group of European National Standard-Setters	Melanie McLaren	Executive Director, Codes & Standards, UK Financial Reporting Council
International Federation of Accountants	John Stanford	Acting Technical Director of the International Public Sector Accounting Standards Board
International Co-operative Alliance	Isabelle Ferrand	Chief Financial Officer, Confédération Nationale du Credit Mutuel

**Observer organisations**

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission



# Evaluating ten years of IFRS Standards in the European Union: A European Commission report

In June 2015, the European Commission issued a report titled The Evaluation of the International Accounting Standards (IAS) Regulation<sup>1</sup> (the Report). This examined the European Union's (EU) experience of IFRS Standards since their adoption in 2005.

The Report assessed three key issues:

- 1 Whether the IAS Regulation had achieved its objective
- 2 The process and criteria through which IFRS Standards become EU law
- 3 The governance structure of the bodies involved

In carrying out its evaluation, the European Commission undertook broad consultation with a wide range of stakeholders.

In order to enhance the efficient functioning of EU capital markets, the objective of the IAS Regulation was to improve and harmonise the financial reporting of listed companies by ensuring a high degree of transparency and comparability of their financial statements. In addition, the IAS Regulation attached importance to IFRS Standards becoming globally accepted so that EU companies would be able to compete on an equal footing in the world's capital markets.

More than 90 per cent of respondents who expressed a clear view had a positive attitude towards IFRS Standards.<sup>2</sup>

The European Commission's evaluation of the responses identified several key findings. It concluded that the IFRS Standards were successful in creating a common accounting language for capital markets. For companies, the benefits outweighed the costs while investors largely supported the Standards for improving the quality and comparability of financial statements. However, it was also noted that some differences persist. The importance of proper and rigorous enforcement was highlighted in this regard.

In addition, the Report noted the stakeholders' views that the EU's decision to adopt the Standards provided a major impetus to their credibility and global acceptance. Most respondents considered the EU endorsement process worked well, striking the right balance between timing and proper due process. Finally, the Report also stressed the importance of fully understanding the effects of a Standard, something the International Accounting Standards Board has taken into account, most recently with the extensive effects analysis that accompanies the new Leases Standard, IFRS 16.

We welcome this important Report and look forward to continuing our work, developing high-quality international Standards, with the EU and stakeholders across the world.

<sup>1</sup> The report is available at: [http://ec.europa.eu/finance/accounting/ias-evaluation/index\\_en.htm](http://ec.europa.eu/finance/accounting/ias-evaluation/index_en.htm)

<sup>2</sup> Nobes (2015), 'Is the EU really committed to IFRS?', January 2015  
<http://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/world-watch/eu-committed-ifrs.html>

# Engaging with investors: the *Investors in Financial Reporting* programme

The International Accounting Standards Board (the Board) aims to create a set of Standards that give investors information they need to assess financial performance. To achieve this, a dedicated team develops and maintains relationships with the investment community. In the past, while strong connections have been developed with the sell-side community as well as many investor representative organisations, individual buy-side organisations did not typically participate directly in the Board's outreach and standard-setting process.

In order to increase involvement with the buy-side community, the Board launched the *Investors in Financial Reporting* programme in December 2014. The programme is founded on the simple principle that transparent financial reporting is key to the long-term health of global capital markets. Participants to the programme sign up to a Statement of Shared Beliefs (available on our website) which helps organisations make visible their commitment, as responsible investors, to improving financial reporting.

As of December 2015, fourteen major investment firms have participated in the programme. Progress is underway to attract new participants in the first half of 2016.

“

One of the reasons we signed up was because it is in the interest of our investors to have good quality company reports. The greater the user involvement, the greater confidence users can have in the standard-setting process, which means that the final Standards are of better quality from a shareholder perspective.

Jed Wrigley, Director of Accounting and Valuation,  
Fidelity Worldwide Investment

”

## Programme participants as at December 2015

Aberdeen Asset Management	Henderson Global Investors
Allianz Global Investors	Hermes Investment Management
APG Asset Management	Insight Investment
AustralianSuper	Nomura Asset Management
BlackRock	PGGM Investments
Caisse de dépôt et placement du Québec	Ontario Teachers' Pension Plan
Fidelity Worldwide Investment	UniSuper

“

Access to high quality, transparent financial and non-financial information is central to Insight's investment research process. Initiatives that seek to enhance the integrity of financial information are in our clients' best interests and can help mitigate some investment risks. As a responsible, long-term investor, we support the Statement of Shared Beliefs' objectives to provide greater comparability, consistency and relevance of business reporting and we are pleased to participate in this programme.

David Averre, Head of Credit Analysis, Insight Investment

”

“

We have long been supporters of countries and companies adopting IFRS Standards to give us greater confidence in their financial reporting, and greater comparability between investment opportunities. Our participation in the *Investors in Financial Reporting* programme gives us the basis to take the next step and work more fully with the Board in further improving standards for company reporting so that our understanding of their underlying business is enhanced.

Hugh Young, Head of Direct Investments, Aberdeen Asset Management

”

## Programme benefits

The benefits of the programme are two-fold. Participation helps investors stay current as IFRS Standards evolve and provides time-effective opportunities for them to help shape the financial reporting of tomorrow. In return, the programme offers investors information about changes in IFRS Standards that are in the pipeline, including how they might influence an analyst's work.

## Success of the programme so far

The Board and investor engagement team have received positive feedback on the programme. The programme's popularity is evidenced by a 40 per cent increase in participants in its first year, as well as the continued interest shown by the investment community. The investor team's education activities have proved extremely popular with the members and have helped create better relationships with analysts who can then provide further input to the Board's work and future IFRS Standards.

## Working with the investment community

The Board's dedicated investor engagement team maintains and develops extensive relationships with other investor stakeholders, including sell-side analysts, credit-ratings agency analysts and investor representative groups. The Board and staff seek input in standard-setting activities from these stakeholders as well as from the members of the *Investors in Financial Reporting* programme.

The investor engagement team also publishes various documents to engage the investment community and to keep it up to date on the Board's activities.

“

As a global investor and extensive user of financial statements, Ontario Teachers' welcomes the opportunity to support the Board's *Investors in Financial Reporting* programme to improve the quality and transparency of financial reporting.

Michael Wissell, Senior Vice-President, Public Equities, Ontario Teachers' Pension Plan

”

## Examples of investor resources

**The Investor Update**—the quarterly investor newsletter which informs the investment community about changes to IFRS Standards, IFRS Foundation updates, and projects on which we need their views.

**Investor Perspectives**—a series of topical articles in which Board members with a background in the investment community share their perspectives on changes to accounting Standards.

**The Essentials series**—the education series that aims to increase investors' awareness of IFRS Standards and enhance the insights they obtain when analysing information produced by IFRS financial statements. Each issue aims to provide an overview of how a specific IFRS Standard (or aspect of it) is relevant to financial statement analysis.

All of these documents can be found at [www.go.ifrs.org/Investor-Centre](http://www.go.ifrs.org/Investor-Centre).



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# Management Commentary

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

The Foundation is the oversight and support body of the International Accounting Standards Board (the Board), the standard-setting body, responsible for developing and promoting the use and rigorous application of IFRS Standards. The Board currently consists of up to 16 members, selected on the basis of their professional competence and practical experience, and drawn from a variety of backgrounds, including users, preparers, standard setters and auditors.

## 2015 Financial Results

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

- The Foundation is reporting £2.7 million of comprehensive income for 2015, down from £3.7 million in 2014.
- Total income from all activities decreased by £1.0 million to £27.4 million.
- Total operating expenses remained unchanged at £24.5 million.
- As of 31 December 2015 the IFRS Foundation's net assets increased to £19.6 million, which is in line with the Trustees' strategic decision to accumulate reserves equal to one year of operating expenditure.

## Contributions

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

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

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

- It provides a long-term commitment of the jurisdictions.
- It has public sponsorship (either direct or implicit governmental or regulatory support).
- It has to remain flexible.
- Contributions are allocated proportionally.
- It should provide public accountability in the budget process.

In 2015 contributions were £21.3 million, a decrease of £1.3 million from 2014. Contributions in 2014 included a one-off contribution of \$3.0 million (£1.8 million) from the Financial Accounting Foundation in the United States. There were also some unfavourable fluctuations in currency exchange rates during the year, partially offset by finance income from forward foreign exchange contracts as discussed in Notes 7 and 9 of the financial statements. However, several jurisdictions also contributed above their GDP determined target and progress was made in establishing contributions from new jurisdictions. Additional information about contributions is provided in Note 5 of the financial statements and a list of contributors is presented on pages 42–46 of the report.

## Publications and related activities

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

The staff made successful efforts in negotiating new agreements for licensing, permission and waiver fees; revenue amounted to £2.2 million, an increase of £238,000 or 12.0 per cent compared to 2014. Subscriptions and book sales amounted to £1.7 and £1.6 million respectively. During 2015, the Foundation completed a successful launch of its redesigned online product, known as eIFRS. New subscriptions and renewals during the year resulted in an 8.8 per cent increase in sales compared to 2014. Book sales were helped by the issuance of new IFRS Standards but overall sales decreased 2.2 per cent compared to 2014, reflecting a general decrease in demand for hard-copy materials. Book sales benefit from bulk sales for academic and training purposes.

The cost of publications and related expenses amounted to £3.2 million, an increase of £122,000 or 3.9 per cent, with a net result of an increase in net income of £182,000 or 7.6 per cent compared to 2014. Additional revenue and expense information for publications and related activities is provided in Note 6 of the financial statements.

## Expenses

Total operating expenses were £24.5 million, unchanged from 2014. The main costs associated with developing IFRS Standards are the salaries and related costs for the Board, technical staff and support staff; these costs amount to 79 per cent of the remaining operating costs without inclusion of expenses for publications. As set out in Note 1, the Foundation did not replace two Board members who completed their terms in 2014, a reduction from 16 to 14 members.

The final determination of Board size will be concluded after the Trustees' completion of their *Review of Structure and Effectiveness* that commenced in July 2015.

During the year there was a small increase in head count for technical staff, reflecting a broadening remit of projects including disclosure and research initiatives. The completion of the Foundation's 2015 Agenda Consultation is expected to provide significant input into the Board's work programme priorities and generally reflect changes in emphasis for the technical staff.

IFRS Standards are developed through an international consultation process, the "due process", which involves interested individuals and organisations from around the world. The Foundation's operational staff participate with the technical staff in co-ordinating a comprehensive programme of support and outreach activities, all designed to enable others to better understand and comment on the principles proposed. The Foundation's Trustees and senior management closely monitor operating expenses while adequately funding the costs for travel, meetings and technology upgrades to enhance external relations.

## Reserves

As of 31 December 2015 the Foundation's reserves were £19.6 million (2014: £16.9 million). This level of reserves is 80.0 per cent of 2015 operating expenses (2014: 69.1 per cent), an increase of 10.9 per cent from 2014. The Foundation's goal is to continue to maintain and build future operating reserves of cash and working capital. The operating reserve is an unrestricted fund balance set aside to stabilise the Foundation's finances by providing a 'cushion' against unexpected events or losses of income. The Trustees have included within the Foundation's 2016 Three-Year Plan a proposal to increase reserves to a level equivalent to one year's operating expenditure. This is expected to take a few more years.

## 2016 Outlook

In 2016 the Foundation will continue to manage its operating expenditure prudently and effectively and will actively pursue further initiatives to enhance the organisation's income. The 2016 Three-Year Plan does not envisage significant increases in the operating requirements of the organisation.



# 2015 Financial Supporters

(amounts translated into sterling on date received)

Country	Organisation		
Cumulative amount raised by country appears below the country name			
Australia			
	£516,800	Financial Reporting Council	
Brazil			
	£386,186		
	£100,000+	Fundação de Apoio ao Comitê de Pronunciamentos Contábeis	
	£50,000+	The Brazilian Development Bank (BNDES)	
	£25,000+	Central Bank of Brazil	
Bulgaria			
	£5,454	Bulgarian National Bank	
Canada			
	£460,389		
	£100,000+	Chartered Professional Accountants of Canada	
	Less than £25,000	Office of the Superintendent of Financial Institutions Canada	
China			
	Through system created by the Ministry of Finance		
	£1,810,688		
	£100,000+	China Ministry of Finance	
		Chinese Institute of Certified Public Accountants	
		Shanghai Stock Exchange	
		Shenzhen Stock Exchange	
	£50,000+	China Investment Corporation	
	£25,000+	China Development Bank	PetroChina Company Limited
		China National Offshore Oil Corporation	Ping An Insurance (Group) Company of China Ltd
		China Pacific Insurance (Group) Co. Ltd	
		China Petroleum & Chemical Corporation	
	Less than £25,000	Agricultural Bank of China	China Mobile Limited
		Air China Limited	China Telecom Corporation Limited
		Bank of Communications Co. Ltd	China Unicom Corporation Limited
		China CITIC Bank Corporation Limited	Huaneng Power International Inc
		China Construction Bank Limited	Industrial and Commercial Bank of China
		China Life Insurance Company Limited	PICC Property and Casualty Company Limited
		China Merchants Bank Co. Limited	
		China Minsheng Banking Corporation Limited	
EU			
	£3,287,648	European Commission	
France			
	£702,889	French Ministry of Finance (ANC)	

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Country	Organisation	
<b>Germany</b>	<i>Voluntary levy through Deutsches Rechnungslegungs Standards Committee e.V. the German standard-setting organisation</i>	
	<b>£752,053</b>	
	£25,000+	Merck KGaG
	Less than £25,000	Aareal Bank AG
		Grammer AG
		adidas AG
		Hannover Rück SE
		AIXTRON AG
		Helaba Landesbank Hessen-Thüringen
		Allianz SE
		Henkel AG & Co. KGaA
		alstria office REIT-AG
		Hornbach Holding AG & Co. KGaA
		Altana AG
		HSBC Trinkaus & Burkhardt AG
		BASF SE
		Indus Holding AG
		Bauer AG
		Infineon Technologies AG
		Bayer AG
		KfW Bankengruppe
		Beiersdorf AG
		Kion Group AG
		Bilfinger SE
		KWS Saat
		BMW-Bayerische Motorenwerke AG
		Lanxess AG
		Borussia Dortmund GmbH & Co. KGaA
		Linde AG
		comdirect bank AG
		Merck KGaA
		Commerzbank AG
		METRO AG
		Continental AG
		MTU Aero Engines Holding AG
		CropEnergies AG
		Münchener Rückversicherungs-Gesellschaft AG
		Daimler AG
		Norma Group SE
		DekaBank
		OSRAM GmbH
		Deutsche Bank AG
		Progress-Werk Oberkirch AG
		Deutsche Beteiligungs AG
		PUMA SE
		Deutsche Börse AG
		QSC AG
		Deutsche Post AG
		Rheinmetall AG
		Deutsche Telekom AG
		Robert Bosch GmbH
		Deutz AG
		RWE AG
		Drägerwerk AG & Co KGaA
		SAP AG
		Dürr AG
		Sartorius AG
		Evonik Industries AG
		SGL Carbon AG
		Fielmann AG
		Siemens AG
		Fraport AG
		Südzucker AG
		freenet AG
		ThyssenKrupp AG
		Fresenius Medical Care AG & Co. KGaA
		TUI AG
		Fresenius SE & Co KG
		United Internet AG
		Generali Deutschland Holding AG
		Villeroy & Boch AG
		Gerresheimer AG
		Volkswagen AG
		GfK SE
		Wacker Chemie AG
		GFT Technologies AG
		WireCard AG

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Country	Organisation	
Hong Kong		
	£126,203	
	£50,000+	Hong Kong Exchanges & Clearing Ltd
	£25,000+	Hong Kong Securities and Futures Commission
	Less than £25,000	Hong Kong Monetary Authority
International		
	£16,596	Bank for International Settlements
Indonesia		
	£53,300	Financial Services Authority (OJK)
Ireland		
	£6,803	Central Bank & Financial Services Authority of Ireland
Israel		
	£17,000	Israel Securities Authority
Italy		
	£553,915	Organismo Italiano di Contabilita
Japan		
	£1,509,725	Financial Accounting Standards Foundation
	£220,000	Financial Accounting Standards Foundation - Restricted contribution for the Asia-Oceania office
Kazakhstan		
	£6,609	National Bank of Kazakhstan
Malaysia		
	£76,503	Malaysian Accounting Standards Board
Mexico		
	£38,000	Bank of Mexico
Netherlands		
	£285,447	
	£100,000+	Ministry of Finance
	Less than £25,000	De Nederlandsche Bank
New Zealand		
	£86,070	External Reporting Board
Nigeria		
	£76,992	Financial Reporting Council of Nigeria
Norway		
	£87,627	Financial Supervisory Authority of Norway
Portugal		
	£15,056	Banco de Portugal

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Country	Organisation	
<b>Republic of Korea</b>	Contributions organised through Korea Accounting Standards Board	
	<b>£465,024</b>	
	£100,000+	Korea Accounting Standards Board (KASB)
	£50,000+	Financial Supervisory Service
	£25,000+	Hana Financial Group Inc.
		KB Financial Group Inc.
		Korea District Heating Corporation
		Korea GAS Corporation
		Shinhan Financial Group Co., Ltd
	Less than £25,000	KEPCO Plant Service & Engineering Co. Ltd
		Korea Hydro & Unclear Power Co. Ltd
<b>Russia</b>		
	<b>£505,781</b>	Ministry of Finance of the Russian Federation
<b>Saudi Arabia</b>		
	<b>£150,000</b>	Saudi Organization for Certified Public Accountants
<b>Singapore</b>		
	<b>£70,000</b>	Ministry of Finance
<b>South Africa</b>		
	<b>£116,040</b>	
	£100,000+	Companies and Intellectual Property Commission
	Less than £25,000	Johannesburg Stock Exchange
<b>Spain</b>		
	<b>£284,961</b>	Bolsas y Mercados Españoles
<b>Switzerland</b>		
	<b>£76,120</b>	
	£50,000+	SwissHoldings
	Less than £25,000	Six Exchange Regulation
		Swiss National Bank
<b>Taiwan</b>		
	<b>£62,000</b>	
	Less than £25,000	Accounting Research and Development Foundation
		Taipei Exchange
		Taiwan Futures Exchange
		Taiwan Depository & Clearing Corporation
		Taiwan Stock Exchange
<b>United Kingdom</b>	Levy system organised by Financial Reporting Council	
	<b>£872,703</b>	

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Country	Organisation		
United States of America			
	£796,539		
	£100,000+	Citigroup	
		Morgan Stanley	
	£50,000+	AICPA	J P Morgan Chase
		Bank of America	Microsoft Corp
		Board of Governors of the US Federal Reserve System	TIAA-CREF
		CFA Institute	
	£25,000+	Oracle	
International Accounting Firms			
	£7,028,394		
	(US\$2.5 million each)	Deloitte Touche Tohmatsu Limited	KPMG
		Ernst & Young	PricewaterhouseCoopers
	£100,000+	BDO (Brussels Worldwide Services bvba) (US\$300,000)	
		Grant Thornton (US\$300,000)	
		Mazars (US\$165,000)	
	£50,000+	Crowe Horwath International (US\$75,000)	

# The IFRS Foundation and its financial statements

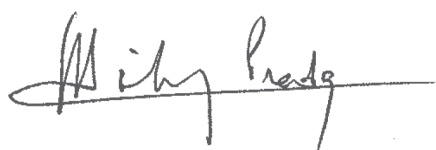
The IFRS Foundation (the Foundation) is an independent, not for profit, public interest organisation incorporated in the State of Delaware, USA, on 6 February 2001. Its primary operations are based in London. Its mission is to develop IFRS Standards that bring transparency, accountability and efficiency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

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

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

These financial statements cover the year ended 31 December 2015. They have been prepared in compliance with IFRS Standards, including Interpretations, that were effective or applied early on 1 January 2015.

The financial statements were approved and authorised for issue by the Trustees of the Foundation on 18 April 2016. At that date there had been no events since 31 December 2015 that required disclosure in, or an adjustment to the financial statements.



Michel Prada  
Chair of the Trustees

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

We have audited the accompanying financial statements on pages 47 to 59 of IFRS Foundation (the Foundation), which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

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

## Trustees' responsibility for the financial statements

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

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards.



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

Date: 18 April 2016



# Statement of comprehensive income

Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Income</b>			
Contributions	5	21,302	22,591
Revenue from publications and related activities	6	5,806	5,502
Other income	5	324	347
		<u>27,432</u>	<u>28,440</u>
<b>Operating expenses</b>			
Technical and operational activities			
- IASB members and staff costs	1	(16,780)	(16,767)
- Other technical and operating costs	1	(1,664)	(1,794)
- IFRS Advisory Council, IFRS Interpretations Committee and other Advisory bodies	1	(374)	(410)
Publications and related activities expenses	6	(3,216)	(3,094)
Trustee oversight	2	(972)	(1,001)
Premises, occupancy and related expenses	3	(1,521)	(1,453)
		<u>(24,527)</u>	<u>(24,519)</u>
<b>Net operating income</b>		<b>2,905</b>	<b>3,921</b>
Finance income	9	1,057	656
Finance costs	9	(1,283)	(860)
		<u>(226)</u>	<u>(204)</u>
<b>Income before tax</b>		<b>2,679</b>	<b>3,717</b>
Income tax expense	4	—	—
<b>Comprehensive income for the year</b>		<u><b>2,679</b></u>	<u><b>3,717</b></u>

# Statement of changes in equity

Year ended 31 December 2015

Retained income at beginning of year	16,936	13,219
Comprehensive income for the year	<u>2,679</u>	<u>3,717</u>
<b>Retained income at end of year</b>	<u><b>19,615</b></u>	<u><b>16,936</b></u>

The notes on pages 52 to 59 form part of these financial statements.

# Statement of financial position

*As at 31 December 2015*

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		10,495	8,074
Contributions receivable	5	1,479	1,949
Trade and other receivables		1,039	955
Prepaid expenses		676	624
Inventories		141	110
Bonds at fair value, including accrued interest	8	3,360	64
Forward currency contracts at fair value	7	311	370
		<b>17,501</b>	<b>12,146</b>
<b>Non-current assets</b>			
Bonds at fair value, including accrued interest	8	8,910	8,602
Forward currency contracts at fair value	7	–	90
Leasehold improvements, furniture and equipment	3	507	597
		<b>9,417</b>	<b>9,289</b>
<b>Total assets</b>		<b>26,918</b>	<b>21,435</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		399	359
Payroll taxes payable		578	552
Accrued expenses		1,003	892
Contributions received in advance	5	1,859	254
Rent incentive	3	82	82
Publications revenue received in advance	6	1,225	965
Forward currency contracts at fair value	7	949	123
		<b>6,095</b>	<b>3,227</b>
<b>Non-current liabilities</b>			
Forward currency contracts at fair value	7	492	489
Lease reinstatement obligation	3	571	556
Rent incentive	3	145	227
		<b>1,208</b>	<b>1,272</b>
<b>Total liabilities</b>		<b>7,303</b>	<b>4,499</b>
<b>Net assets</b>		<b>19,615</b>	<b>16,936</b>

The notes on pages 52 to 59 form part of these financial statements.

# Statement of cash flows

*Year ended 31 December 2015*

	Note	2015 £'000	2014 £'000
<b>Operating activities</b>			
<b>Cash received</b>			
Contributions		23,434	21,980
Publications and related activities		5,899	5,570
Funding for Asia-Oceania office	5	220	257
Interest		327	215
Foreign exchange settlements		496	184
Other receipts		18	16
<b>Cash paid</b>			
Salaries, wages and benefits		(16,660)	(17,097)
Publications and related activities expenses		(3,208)	(3,011)
Trustees' fees		(649)	(685)
Other operating expenses		(3,615)	(4,051)
<b>Net cash from operating activities</b>		<b>6,262</b>	<b>3,378</b>
<b>Investing activities</b>			
Matured bonds receipts		–	612
New bond purchases		(3,834)	(2,885)
Purchase of leasehold improvements, furniture and equipment		(170)	(50)
<b>Net cash from investing activities</b>		<b>(4,004)</b>	<b>(2,323)</b>
Effects of exchange rate changes on cash and cash equivalents		163	(29)
<b>Net increase in cash and cash equivalents</b>		<b>2,421</b>	<b>1,026</b>
Cash and cash equivalents at the beginning of the year		8,074	7,048
<b>Cash and cash equivalents at the end of the year</b>		<b>10,495</b>	<b>8,074</b>

The notes on pages 52 to 59 form part of these financial statements.

# Notes to the financial statements

*For the year ended 31 December 2015*

## Significant accounting policies

The functional and presentation currency is sterling.

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

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

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

All accounting policies have been applied consistently to the two years presented.

The financial statements have been drawn up on the basis of IFRS Standards, Interpretations and amendments effective or applied early at 1 January 2015.

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

## Explanatory information

The Foundation has made important changes to the way it has organised and presented its explanatory notes to the financial statements, starting in 2014.

The changes were motivated by feedback about financial report presentation that has come from the technical work of the Board in its major project on disclosure—the *Disclosure Initiative*.

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**

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

### **Funding**

Contributions  
Publications and related activities

### **Management of funds**

Foreign currency management  
Investments  
Finance income and finance costs

## Activities

### 1 Technical and operational activities

#### *IASB member and staff costs*

The main costs associated with developing IFRS Standards are the salaries of the full-time IASB members and the staff. The Foundation had an average of 139 employees including IASB members and interns during 2015 (2014: 136).

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
IASB member salaries and related costs	7,183	7,601
Technical and operational staff salaries and related costs	9,597	9,166
	<b>16,780</b>	<b>16,767</b>

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. IASB members gross salaries covering all compensation and benefits for 2015 were as follows: £558,200 for the IASB Chair (2014: £554,000); £492,200 for the IASB Vice-Chair (2014: £488,500), and an average of £458,400 for other full-time IASB members (2014: £455,700). In 2014 the Trustees did not replace two IASB members who completed their terms in June, reducing the number of IASB members from 16 to 14. In addition to the Trustees, IASB Chair and IASB Vice-Chair, the "key management personnel" include the Executive Director at an annual gross salary of £265,000 (2014: £255,000). The Foundation pays monthly contributions, at rates between 8% and 10% of gross salary, into a defined contribution group personal pension scheme for substantially all staff except IASB members.

#### *Other technical and operating costs*

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Audit, legal and taxation advice	72	65
Communication and technology	292	285
External relations	80	61
Human resource and recruitment activities	143	200
Meeting video conferencing	134	139
Travel and meetings	717	808
Other office related costs	226	236
	<b>1,664</b>	<b>1,794</b>

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

In 2015 and 2014, the Foundation paid remuneration to the Chair of the IFRS Advisory Council (£75,000 per year) and in 2014 part-year to two Vice-Chairs (£25,000 per year each). Additionally, the Foundation reimbursed their travel and accommodation costs. Other members of the IFRS Advisory Council are not paid remuneration and meet all of their costs of attending meetings, such as travel and accommodation.

Members of the IFRS Interpretations Committee are not remunerated by the Foundation for their work on this body. However, they are reimbursed for their travel costs for attending the meetings.

Members of the Board's other advisory bodies meet their own costs of attending meetings. No members of these bodies are remunerated by the Foundation.

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
IFRS Advisory Council – remuneration costs	75	106
IFRS Advisory Council – travel and meeting costs	81	116
IFRS Interpretations Committee – travel and meeting costs	218	188
	<b>374</b>	<b>410</b>

## 2 Trustee oversight

The Foundation's management and governance is overseen by 21 Trustees (2014: 22). The Trustees meet up to four times a year. The Chair of the Trustees receives £200,000 per annum. Other Trustees receive an annual fee of £20,000 and are reimbursed for their travel on Foundation business. There are six Trustee committees; committee chairs receive an additional £7,000.

Costs associated with Trustee activities are as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration costs	637	642
Travel and meeting costs	335	359
	<b>972</b>	<b>1,001</b>

## 3 Premises, occupancy and related expenses

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Rent	759	774
Rates, insurance and energy	456	472
Service charges	379	273
Depreciation	205	208
	1,799	1,727
Less amounts included in publications costs	(278)	(274)
	<b>1,521</b>	<b>1,453</b>



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

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

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

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

	2015 £'000	2014 £'000
Within one year	838	835
In two to five years	1,594	2,365
More than five years	100	149
	<u>2,532</u>	<u>3,349</u>

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

Leasehold improvements, furniture and equipment are initially measured at cost, and then depreciated on a straight-line basis. Leasehold improvements are depreciated over the remaining period of the lease. Furniture and equipment are depreciated over 3 and 5 years. There have been no significant movements in 2015 other than depreciation.

	2015 £'000	2014 £'000
<b>Leasehold improvements</b>		
Cost	1,384	1,361
Accumulated depreciation	<u>(1,103)</u>	<u>(1,020)</u>
Carrying amount	<u>281</u>	<u>341</u>
<b>Furniture and equipment</b>		
Cost	1,111	1,095
Accumulated depreciation	<u>(885)</u>	<u>(839)</u>
Carrying amount	<u>226</u>	<u>256</u>
<b>Total carrying amount</b>	<u>507</u>	<u>597</u>

## 4 Taxation

For US tax purposes, the Foundation is classified as a not-for-profit, tax-exempt organisation. In 2006 the Foundation reached an agreement with the UK authorities regarding the status of taxation on its publications and related revenues. For 2015 the taxation expense is calculated on that basis, and is estimated to be £nil (2014: £nil).

At the end of 2015 the Foundation is carrying forward a loss for UK tax purposes of £5,550,000 (2014: £5,053,000). The Foundation does not recognise this loss as a deferred tax asset because of the uncertainty of being able to utilise these losses to offset future taxable income.

## Funding

### 5 Contributions

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

The Foundation received separate funding of £220,000 / JPY 50,000,000 (2014: £257,000 / JPY 50,000,000) towards the operations of the Asia-Oceania office located in Tokyo. £288,000 (2014: £330,000) has been recognised in other income to offset the related operating expenses.

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
UK Pounds	1,965	1,889
US Dollars	10,462	13,559
Euro	5,938	6,007
Other	2,937	1,136
	<b><u>21,302</u></b>	<b><u>22,591</u></b>

For more information on how the Foundation manages its currency risk refer to note 7. A full list of contributors can be found in the Foundation's annual report, which is available on its website [www.ifrs.org](http://www.ifrs.org).

## 6 Publications and related activities

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

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

	2015 £'000	2014 £'000
<b>Revenue</b>		
Sales of publications and subscriptions	3,353	3,243
Licensing and waiver fees	2,214	1,976
Other revenue – primarily conferences	239	283
	<u>5,806</u>	<u>5,502</u>
<b>Expenses</b>		
Staff salaries and related costs	1,836	1,726
Cost of goods sold	390	419
Depreciation	22	16
Other costs, including occupancy expenses	968	933
	<u>3,216</u>	<u>3,094</u>
<b>Net income from publications and related activities</b>	<u>2,590</u>	<u>2,408</u>

## Management of funds

### 7 Foreign currency management

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

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

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

Forward foreign exchange contracts by currency:	2015			2014		
	Fair Value '000	Notional Value '000	Weighted Average Rate	Fair Value '000	Notional Value '000	Weighted Average Rate
<b>Financial Assets</b>						
USD (Level 2)	–	–	–	–	–	–
EUR (Level 2)	£311	€4,500	1.231	£460	€9,500	1.195
<b>Financial Liabilities</b>						
USD (Level 2)	£(1,283)	\$28,200	1.592	£(612)	\$26,000	1.618
EUR (Level 2)	£(158)	€5,200	1.382	–	–	–

The fair value of forward foreign exchange contracts is bank-provided and based on price models using observable exchange rates, described as Level 2 in IFRS 13 *Fair Value Measurement*. All non-current forward contracts expire in 2017. The effect of these forward contracts is that the Foundation is exposed to the currency risk associated with the expected remaining 10 per cent of projected net US dollar contributions and 30 per cent of projected net euro contributions that are not covered by the forward contracts.

A potential 10 per cent increase in average exchange rates for sterling would have produced estimated losses on the remaining actual net US dollar contributions received during the year of £65,000 and on the remaining actual net euro contributions received during the year of £149,000. To the extent that projected contributions in either currency change, the Foundation actively manages the amount of each currency forward sold.

#### *Liquidity and interest rate risk*

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

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

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

## 8 Investments

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

	<b>2015 Fair Value £'000</b>	<b>2015 Notional Value £'000</b>	<b>2014 Fair Value £'000</b>	<b>2014 Notional Value £'000</b>
Current including accrued interest	3,360	3,266	64	–
Non-current including accrued interest	8,910	8,870	8,602	8,520
	<b>12,270</b>	<b>12,136</b>	<b>8,666</b>	<b>8,520</b>

The Foundation measures all other financial instruments at amortised cost. The carrying amount of these instruments is a reasonable approximation of their fair value. These financial instruments include cash and cash equivalents, contributions receivable, publication-related receivables, and trade and other payables.

## 9 Finance income and finance costs

	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Finance income:</b>		
Interest income	184	124
Fair value gains on forward foreign exchange contracts	220	226
Fair value gains on bonds	–	122
Exchange gains on forward foreign exchange contracts and cash holdings	653	184
	<b>1,057</b>	<b>656</b>
<b>Finance costs:</b>		
Fair value losses on forward foreign exchange contracts	(1,198)	(842)
Fair value losses on bonds	(85)	–
Exchange losses on cash holdings	–	(18)
	<b>(1,283)</b>	<b>(860)</b>
	<b>(226)</b>	<b>(204)</b>





MEMBERS OF THE IASB AND STAFF OF THE IFRS FOUNDATION  
WHO SERVED DURING 1ST JANUARY 2015 – 31ST DECEMBER 2015







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