

ANNUAL REPORT

2017

IFRS® FOUNDATION

Financial reporting for the world economy

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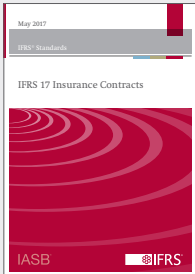
About us

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

IFRS Standards are set by the IFRS Foundation's standard-setting body, the International Accounting Standards Board (Board).

The responsibility for governance and oversight of the Board lies with the IFRS Foundation Trustees, who in turn are accountable to a Monitoring Board of public authorities.

2017–Key achievements



Issued IFRS 17 *Insurance Contracts*

IFRS 17 is the first truly international accounting standard for insurance contracts. It fundamentally overhauls insurance accounting to help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 becomes effective in 2021.

Made substantial progress with Better Communication in Financial Reporting

Published several documents as part of the Board's work to improve the effectiveness of communication in financial reports. More regulators are requiring use of the IFRS Taxonomy.



Over **20,000**
views of IFRS 17
web presentations

Supported implementation of IFRS Standards

Published more than 20 web presentations and developed other education materials to support implementation of the newest IFRS Standards—IFRS 9, IFRS 15, IFRS 16 and IFRS 17.



Independent
perception
survey provided
encouraging
feedback

127

stakeholders
surveyed

82%

say the Foundation
meets its mission

86%

say the Foundation
is transparent

Strengthened stakeholder engagement and international cooperation

Signed cooperation agreements with the World Bank and the Basel Committee on Banking Supervision and launched a more user-centric website that is easier for stakeholders to use.



Continued progress towards our goals

Report of the Chair of the IFRS Foundation Trustees



2017 highlights

In 2017, we have made progress towards our G20-endorsed goal of developing high quality global accounting standards and have strengthened the institutional resilience of the IFRS Foundation.

Global accounting standards

Last year, I reported that 126 jurisdictions required the use of IFRS Standards for all or most publicly listed companies, with a further 13 permitting their use. During 2017, we welcomed the announcement that 17 West and Central African jurisdictions, coordinated by the Organization for the Harmonization of Business Law in Africa, will require the use of IFRS Standards from 2019. Adding Papua New Guinea, the total number of jurisdictions requiring the use of IFRS Standards is now 144.

Adding the further 13 jurisdictions where IFRS Standards are permitted and increasingly used (eg Japan), brings the use of IFRS Standards to 95% of the 166 jurisdictions we have assessed. The US recognises IFRS Standards for foreign registrants and China and India have standards that are substantially aligned with our Standards. All this means that the objective set by the International Organization of Securities Commissions in 2000 has nearly been achieved.

Of course, the quality of implementation is just as important as the number of jurisdictions using the Standards. Therefore, in addition to our own implementation support activities, we have strengthened our strategic alliances with other relevant international organisations as well as with national and regional standard-setting organisations.

In 2017, we signed a Memorandum of Understanding (MoU) with the Basel Committee on Banking Supervision to ensure that our respective activities and requirements are compatible. We also signed an MoU with the World Bank to provide more effective support to developing countries implementing IFRS Standards.

Institutional resilience

As our international responsibilities have continued to grow, so has the need to ensure the IFRS Foundation is resourced and well positioned to respond to the associated challenges. I would like to highlight three key developments in 2017.

First, we commissioned an independent market research agency to better understand how we are seen among our international stakeholder groups. The findings were very encouraging. The IFRS Foundation was highly rated for transparency, independence and professionalism. The research did identify some areas for improvement and in response we have developed an action plan that will focus on balancing our stakeholder engagement and improving the timeliness of our work. This, and starting the review of our *Due Process Handbook* as well as reviewing the Accounting Standards Advisory Forum, will be focus areas in 2018.

Second, in 2017 we achieved our goal of having available financial reserves in excess of one year's expenditure. Our income increased in 2017 due to foreign exchange gains, a temporary decrease in staff expenditure and an increase in revenue from publications and related activities.

144

jurisdictions require
IFRS Standards

The Trustees believe that the current level of reserves should be retained to cover contingencies, the costs of the premises move to Canary Wharf and investments in technology.

Currency fluctuations and the ongoing challenge of securing financial contributions from some countries emphasise the importance of having adequate reserves to ensure the organisation is financially resilient.

Third, we have continued to invest in attracting high quality staff throughout all functions of the organisation. We have been successful in recruiting a new Executive Technical Director, Nili Shah, who joined us in 2017, and a new Executive Director, Lee White, who joined in April 2018.

Thank you

As this should be my last report, I would like to thank our funding providers, my fellow Trustees, Hans Hoogervorst and the other members of the Board, the IFRS Advisory Council and various committees, and all the excellent staff for the remarkable achievements of this wonderful organisation that I have been proud to serve for more than six years.

Michel Prada

Raising the bar

Report of the Chair of the International Accounting Standards Board



2017 highlights

The International Accounting Standards Board has been working to raise the bar for financial reporting worldwide since 2001. In 2017, we raised that bar even higher: we issued a new Standard for insurance contracts, IFRS 17. This is the first proper international accounting standard for insurance contracts. It will bring much-needed transparency to insurers' financial reporting and help investors and others better understand the financial performance of an insurance company.

Since IFRS 17 was issued in May 2017, we have worked to support the implementation of the Standard in three main ways: first, by setting up a Transition Resource Group to provide a public discussion forum on implementation issues; second, by developing a range of education materials; and third, by educating investors to prepare the market for the new Standard.

In addition to developing new Standards, we are working to support the implementation of and to maintain our existing Standards. In 2017, we increased the effort and resources dedicated to this work, in which the IFRS Interpretations Committee plays an important role.

Better Communication

We made good progress on our work under the theme of Better Communication in Financial Reporting in 2017.

We published several documents to support our stakeholders: a Practice Statement on making materiality judgements and a case-study report encouraging companies to initiate disclosure improvement projects.

In addition, we published a Discussion Paper on the wider principles of disclosure.

Developing the IFRS Taxonomy, which enables digital reporting of IFRS financial statements, is another aspect of our work on Better Communication. In 2017 the US Securities and Exchange Commission decided to require foreign companies listed in the US that use IFRS Standards to use our Taxonomy. The European Securities and Markets Authority moved in a similar direction by proposing to require use of our Taxonomy from 2020.

Towards the end of 2017, the Board added a project to update our Management Commentary Practice Statement. The updated version will focus on broader financial reporting, and will factor in recent developments. It will also help clarify the role the Board plays in this area.

All these initiatives will help us further raise the bar by improving the communication effectiveness of financial reports.

2018 and beyond

Ensuring that our work remains relevant as the world around us changes is a priority for the Board in 2018 and beyond.

In March 2018, we issued the revised *Conceptual Framework for Financial Reporting*. This will be a particularly helpful tool to the Board for ensuring that financial information is useful to investors and that the Standards are conceptually consistent; but I also believe it will be of value to our stakeholders.

“**The International Accounting Standards Board has been working to raise the bar for financial reporting worldwide since 2001.**”

Throughout 2018, we will advance our work under the Better Communication banner, including our work related to performance reporting in the primary financial statements. We will also look at the impact of technological developments on the reporting and consumption of financial information.

In 2018 we will publish public consultation documents to advance our projects on Goodwill and Impairment and Financial Instruments with Characteristics of Equity.

Our focus on supporting the implementation of our Standards, including IFRS 17, will also continue. And now that we have completed two of the big projects on our work plan—IFRS 17 and the *Conceptual Framework*—we will commence work on some of the research projects in our pipeline.

Thank you

I would like to thank my fellow Board members, our dedicated staff and all our stakeholders for helping us raise the bar in the past year.

Hans Hoogervorst

Our contribution to 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.

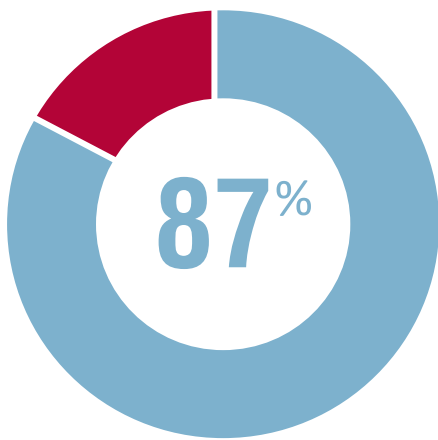


IFRS Standards bring **transparency** by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.

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.

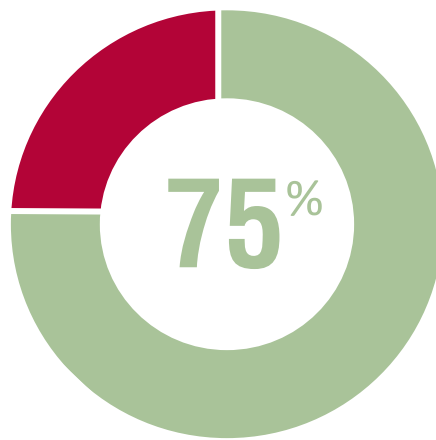
IFRS Standards contribute to economic **efficiency** by helping investors to identify opportunities and risks across the world, thus improving capital allocation. For businesses, the use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs.

Use of our Standards around the world



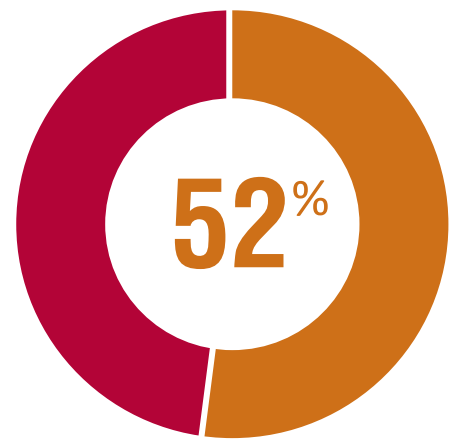
144 of **166**

jurisdictions assessed require the use of IFRS Standards



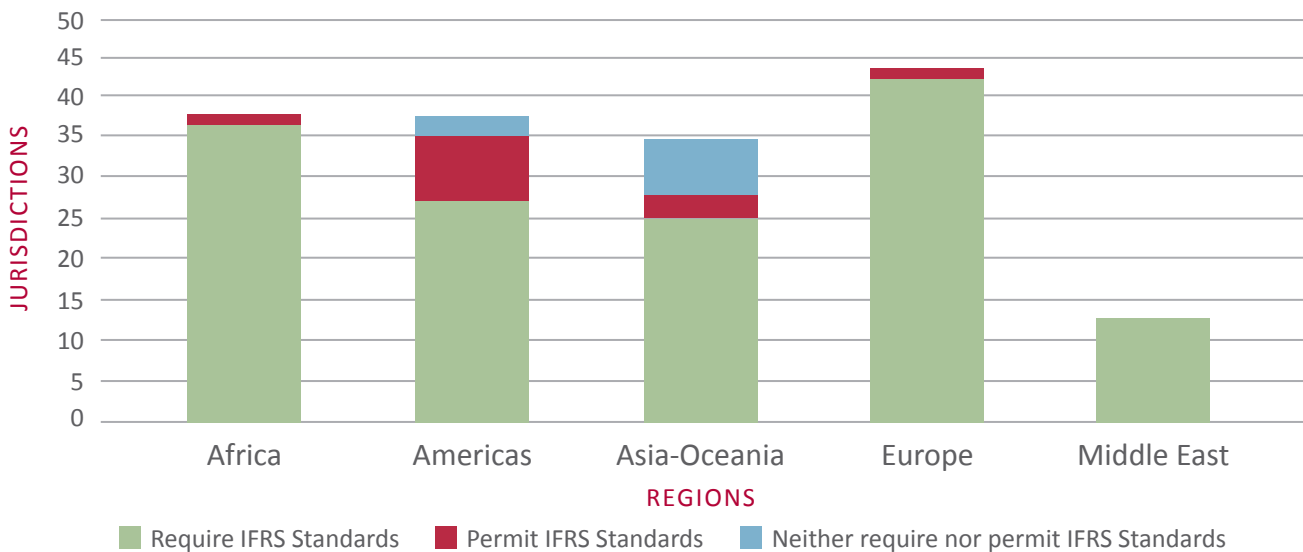
15 of **20**

G20 economies require the use of IFRS Standards



86 of **166**

jurisdictions assessed require or permit the use of the *IFRS for SMEs* Standard



27,000 domestic listed companies

on **88** major stock exchanges in the world use IFRS Standards

To assess progress towards the aim of global adoption of our Standards, we monitor the use of IFRS® Standards and of the *IFRS for SMEs*® Standard around the world. So far, 166 jurisdictions have been assessed. They include 17 African jurisdictions that in 2017 announced they will require use of IFRS Standards from 2019. The 166 jurisdictions represent 98.9% of the world's GDP. Detailed analysis of the adoption of IFRS Standards is available on www.ifrs.org.

How we work

In developing IFRS Standards, the Board follows a due process based on three core principles: transparency, full and fair consultation and accountability. This ensures that the public can follow each stage of the standard-setting process and participate by sharing their views.

All papers developed during the standard-setting process are published on the IFRS Foundation's website and the Board's meetings are broadcast live. All proposals to introduce new or change existing IFRS Standards are published for public consultation. Feedback from stakeholders is published online.

The IFRS Interpretations Committee works with the Board to support the consistent application of Standards. The Committee's papers are published online and its meetings are broadcast live; it consults on tentative agenda decisions and any proposed changes to IFRS Standards.

The due process is described in detail in the *Due Process Handbook*.

Standard-setting process

There are three main stages in the standard-setting process:



Consultation

Developing IFRS Standards is a collaborative exercise. The Board is required to consider the views of those affected by the Standards. To facilitate this information sharing, the Board works closely with dedicated advisory bodies and several consultative groups:

Advisory bodies

Accounting Standards Advisory Forum

An advisory group consisting of national standard-setters and regional bodies that contributes to and supports the Board in its development of high quality accounting standards by providing technical input

IFRS Advisory Council

The formal strategic advisory body to the Board and the IFRS Foundation Trustees, consisting of a wide range of representatives from groups affected by and interested in the organisation's work

Standing consultative groups

Capital Markets Advisory Committee

An independent committee providing the Board with regular input from users of financial statements

Emerging Economies Group

A group established to facilitate the participation of emerging economies in the Board's work

Global Preparers Forum

An independent body providing the Board with input from companies preparing financial statements

Islamic Finance Consultative Group

A group established to focus on the application of IFRS Standards to Islamic finance instruments and transactions

IFRS Taxonomy Consultative Group

A group established to support development of the IFRS Taxonomy

SME Implementation Group

A group established to support international adoption of and monitor implementation of the *IFRS for SMEs* Standard

Our structure

The IFRS Foundation has a three-tier structure, designed to keep the standard-setting process independent from special interests while ensuring accountability to stakeholders around the world.

Public accountability—IFRS Foundation Monitoring Board

The Monitoring Board is a group of capital market authorities. It provides a formal link between the Trustees and public authorities to enhance the public accountability of the Foundation.

Governance—Trustees of the IFRS Foundation

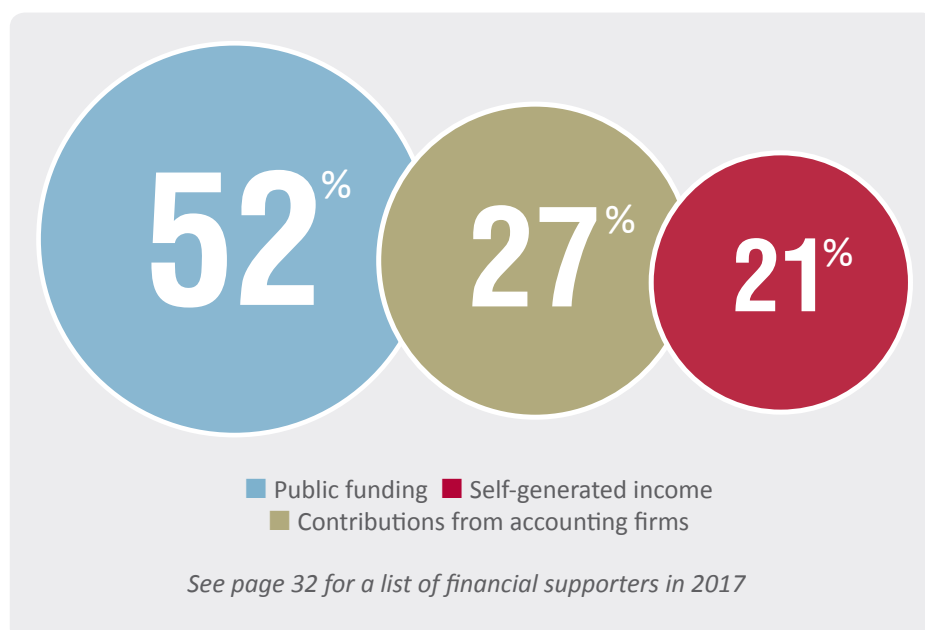
The Trustees of the IFRS Foundation are 22 individuals with varied backgrounds, appointed from all over the world. They are responsible for the governance and oversight of the Foundation and of the International Accounting Standards Board. The Trustees are formally in charge of the Foundation's *Constitution*. They oversee the due process the Board follows when setting IFRS Standards through the Due Process Oversight Committee.

Independent standard-setting—International Accounting Standards Board and IFRS Interpretations Committee

The International Accounting Standards Board is the independent standard-setting body of the IFRS Foundation. Its 14 members come from across the world and from different backgrounds, including academia, the accounting profession, investors, preparers of financial statements, regulators and standard-setters.

Also part of the standard-setting function of the organisation is the IFRS Interpretations Committee. Comprising 14 voting members and a non-voting Chair, it works with the Board to support the consistent application of IFRS Standards, for example by issuing Interpretations of the Standards and publishing agenda decisions.

How we are funded



The main source of our income is financial contributions from public authorities around the world. Accounting firms also provide funding to the Foundation.



We generate income by providing subscriptions to our materials and licensing rights to use our intellectual property. We also create and sell books containing the Standards and accompanying materials, and organise conferences and events.













In addition, we generate a small amount of income by charging speaker fees when our Board members and staff present at other conferences and events around the world.

Board members

International Accounting Standards Board

At April 2018






 <p>Hans Hoogervorst, Chair (The Netherlands) Second term expires: 30 June 2021</p>	 <p>Sue Lloyd, Vice-Chair (New Zealand) Second term expires: 31 December 2023</p>
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 <p>Nick Anderson (United Kingdom) First term expires: 31 August 2022</p>	 <p>Martin Edelmann (Germany) Second term expires: 30 June 2020</p>	 <p>Françoise Flores (France) First term expires: 31 December 2021</p>	 <p>Amaro Gomes (Brazil) Second term expires: 30 June 2019</p>
 <p>Gary Kabureck (United States) Second term expires: 30 June 2020</p>	 <p>Jianqiao Lu (China) First term expires: 30 June 2022</p>	 <p>Takatsugu Ochi (Japan) Second term expires: 30 June 2019</p>	 <p>Darrel Scott (South Africa) Second term expires: 30 September 2020</p>
 <p>Tom Scott (Canada) First term expires: 31 March 2022</p>	 <p>Chungwoo Suh (Republic of Korea) Second term expires: 30 June 2020</p>	 <p>Ann Tarca (Australia) First term expires: 24 July 2022</p>	 <p>Mary Tokar (United States) Second term expires: 30 June 2022</p>

Retired in 2017

 <p>Stephen Cooper (United Kingdom) Term expired: 31 July 2017</p>	 <p>Wei-Guo Zhang (China) Term expired: 30 June 2017</p>
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Geographic allocation

 Africa	 Americas
 Asia-Oceania	 Europe
 At large	

For further details about our Board members and Trustees, please visit www.ifrs.org.

Trustees

IFRS Foundation

At 31 December 2017



Michel Prada, Chair
Former Chairman of the Autorité des Marchés Financiers; former Chairman of IOSCO's Technical Committee



Ronald Arculli, Vice-Chair*
Former Chairman of Hong Kong Exchanges and Clearing Limited; former Chairman of the World Federation of Exchanges



Sheila Fraser, Vice-Chair
Former member of the International Public Sector Accounting Standards Board; former Auditor General of Canada; former Chair of the Canadian Public Sector Accounting Board

Dr Abdulrahman Al-Humaid

Chairman of the Saudi Organization for Certified Public Accountants' Committee for Adopting International Accounting Standards; former Chairman of the Saudi Accounting Standards Committee

Guillermo Babatz

Managing Partner at Atik Capital, S.C.; former Executive Chairman of Mexico's National Banking and Securities Commission

Alan Beller

Senior Counsel at Cleary Gottlieb Steen & Hamilton LLP; member of the Board of Directors of The Travelers Companies; former Senior Counsellor to and former Director of the US Securities and Exchange Commission's Division of Corporation Finance

Chandrashekhar Bhaskar Bhave*

Former Chairman of the Securities and Exchange Board of India

Else Bos**

Member of the Dutch Monitoring Committee for Corporate Governance; board member of Rothman International Centre for Pension Management and the Pacific Pension and Investment Institute

Dr Werner Brandt

Chairman of the Board of the German Financial Reporting Enforcement Panel; former member of the Board of the Accounting Standards Committee of Germany

Su-Keun Kwak**

Professor of Accounting at Seoul National University; member of the Korea Accounting Standards Board's Strategic Advisory Committee; board member of LS Holding and Lotte Shopping

Sir Callum McCarthy*

Non-executive director of Industrial and Commercial Bank of China and Intercontinental Exchange; former Chairman of the UK Financial Services Authority

Wiseman Nkuhlu

Chairman of the Board of KPMG South Africa; 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

Joji Okada

Audit & Supervisory Board Member, Mitsui & Company Limited, Japan

Marco Onado*

Senior Professor of Financial Institutions at Bocconi University, Milan, Italy; Chairman of Pioneer Global Asset Management

James (Jim) Quigley*

CEO Emeritus, former Senior Partner, Deloitte US; former CEO of Deloitte, Touche & Tohmatsu Limited

Maria Helena Santana

Former Chair and President of the Brazilian Securities and Exchange Commission; former Chair of IOSCO's Executive Committee; member of the International Integrated Reporting Council

Dr Takafumi Sato

President of Japan Exchange Regulation; former Commissioner of the Financial Services Agency

Kurt Schacht

Managing Director, CFA Institute Standards and Advocacy Division; Chairman of the US Securities and Exchange Commission's Investor Advisory Committee

Lynn Wood

Former Chairman of the Australian Financial Reporting Council; former member of the Foreign Investment Review Board

Guangyao Zhu**

Vice Finance Minister of China and Chairman of the Accounting Society of China

Appointed (1 January 2018)

Dame Colette Bowe
Teresa Ko
Larry Leva
Michel Madelain
Ross McInnes
Vinod Rai
Lucrezia Reichlin

Trustee committees

Committee	Chair (2017)	Chair (2018)
Audit and Finance Committee	Joji Okada	Dr Werner Brandt
Due Process Oversight Committee	Jim Quigley	Alan Beller
Education and Content Services Committee	Marco Onado	Else Bos
Executive Committee	Michel Prada	Michel Prada
Human Capital Committee	Ron Arculli	Dr Takafumi Sato
Nominating Committee	Sheila Fraser	Sheila Fraser

Geographic allocation

■ Africa ■ Americas
■ Asia-Oceania ■ Europe
■ At large

* retired 31 December 2017 ** appointed 1 February 2017

Monitoring Board

At 31 December 2017

Member	Position
Jean-Paul Servais (Chair)	Representative of the IOSCO Board (Vice-Chairman); Chairman of the Financial Services and Markets Authority, Belgium
Marcos Ayerra	Representative of the IOSCO Growth and Emerging Markets Committee (Vice-Chairman), Chairman of the Comisión Nacional de Valores, Argentina
Jay Clayton	Chairman of the Securities and Exchange Commission, United States of America
Valdis Dombrovskis	Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, European Commission
Ryozo Himino	Vice Minister for International Affairs of the Financial Services Agency, Japan
Jong Ku Choi	Chairman of the Financial Services Commission, Republic of Korea
Marcelo Santos Barbosa	Chairman of the Comissão de Valores Mobiliários, Brazil
Yu Weiping	Vice Minister of the Ministry of Finance, People's Republic of China

Observer	Position
Fernando Vargas	Representative of the Basel Committee on Banking Supervision

Working in the public interest

Report of the Chair of the IFRS Foundation Monitoring Board



The Monitoring Board, formed in 2009, comprises a group of capital market authorities responsible for setting the form and content of financial reporting in their jurisdictions, for monitoring and reinforcing the public interest oversight of the IFRS Foundation and for promoting the continued development of IFRS Standards as a high-quality set of global accounting standards.

The Monitoring Board's activities in 2017 have focused primarily on three key areas:

- reviewing the Trustees' oversight of the International Accounting Standards Board's (Board) standard-setting process;
- monitoring and conferring with the Trustees on their responsibilities, including strengthening the governance framework of the Foundation and participating and providing input on the Trustees' arrangements and nominations; and
- enhancing the Monitoring Board's organisation and governance activities.

Focus areas

In 2017, the Monitoring Board engaged in focused discussions on accounting matters of broad public interest. We welcomed the Foundation's orientation to support timely and consistent application and implementation of the Standards globally.

In this respect, we have continued our constructive dialogue with the Trustees regarding the application of new accounting standards, including revenue recognition, financial instruments, leases and insurance contracts.

We acknowledge the efforts made by the Foundation to underpin successful implementation and highlight the continuous need for ongoing support to ensure consistency. In addition, we have also continued our dialogue on effects analyses and due process oversight.

Supervisors, regulators and standard-setters, both at the national and global level, have increased their emphasis on the effects of technological change and innovations in the markets. As reporting practices evolve and technological advances shape the reporting landscape, we have continued to engage with the Trustees on their strategy related to digital reporting and the development and implementation of the IFRS Taxonomy and its interface with standard-setting. Similarly, we have also monitored developments and progress in the delivery of the Board's plan on Better Communication in Financial Reporting.

We noted the outcomes of the Foundation's reputational survey and look forward to following up with the Trustees, including on the Foundation's work to evaluate its operational risks, evaluation metrics and key performance indicators.

The Monitoring Board has continued to review the adequacy and appropriateness of the Trustees' arrangements for the IFRS Foundation's funding.

“ We acknowledge the efforts made by the Foundation to underpin successful implementation and highlight the continuous need for ongoing support to ensure consistency. ”

I would like to congratulate and welcome the seven new Trustees who took office in January 2018 and to reaffirm our intention to continue to work with the Trustees in the spirit of close cooperation.

Governance

Following my appointment as Monitoring Board Chair, the IOSCO Secretariat in Madrid has played an important role as the Monitoring Board Secretariat since March 2017. We held two meetings in 2017—in Paris in February and in Madrid in October—and a number of teleconferences. The Monitoring Board conducted its three-year review of existing members in 2017 and concluded that no member has been found non-compliant with the membership criteria.

I would like to express my appreciation and gratitude to my colleagues on the Monitoring Board, the Deputies Working Group and the Secretariat.

I look forward to continuing to work with the IFRS Foundation and with stakeholders around the world to accomplish our goal of high quality financial information.

Jean-Paul Servais

Our people and locations

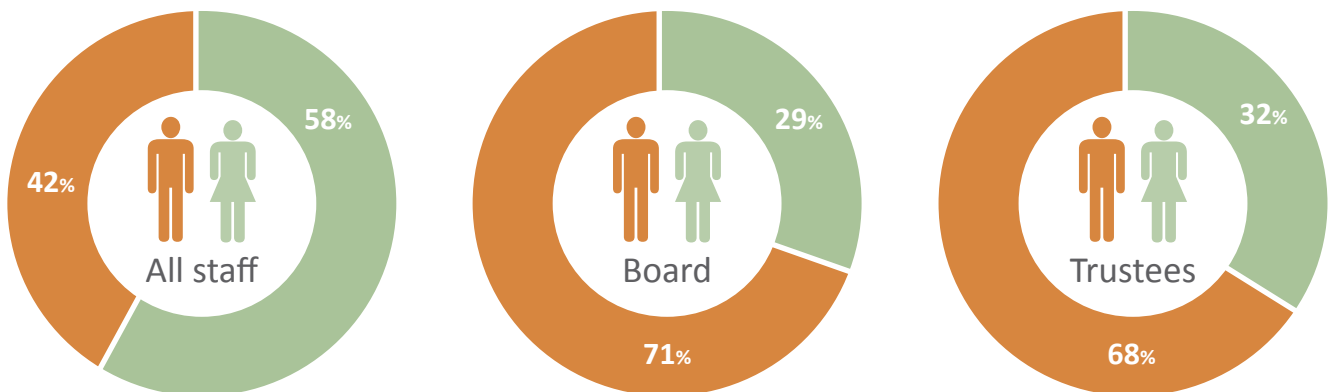
The IFRS Foundation is headquartered in London, where the vast majority of our staff are based. Since 2012, the organisation has also had an additional regional representation office in Tokyo. The Foundation has a diverse workforce, coming from a range of different professional backgrounds and countries.



Staff by function



Gender composition



At April 2018

Strategy and operational priorities

The objectives of the IFRS Foundation are set out in our *Constitution*.

In 2015, these objectives were translated into a clear plan of operational priorities, consisting of four pillars. This operational plan ensures that our day-to-day activities are fully aligned with our overall objectives.



Develop high quality Standards

We deliver on our technical work plan, ensure the due process requirements for standard-setting are followed and make sure all relevant stakeholder groups are involved in the standard-setting process.



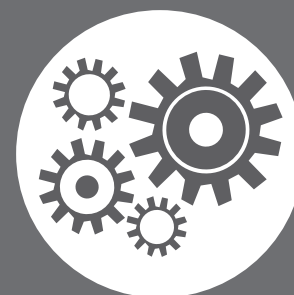
Support implementation and consistent application

We support implementation of newly issued Standards; we maintain existing standards by having an effective process to deal with any inconsistencies or challenges in practice; work with agencies such as IOSCO and the World Bank to support application of Standards that have been in use for some time; we develop education materials, organise and participate in conferences.



Global adoption

We support those jurisdictions that have not yet adopted IFRS Standards and encourage them to work towards full IFRS adoption; we put in place an effective translations and licensing structure.



Effective organisation

We develop new services and products and adjust our licensing model to increase self-generated income; we communicate effectively with stakeholders, comply with all regulatory requirements and manage costs carefully; we have good staff retention initiatives and training policies.

Performance and priorities

2017 and 2018



Develop high quality Standards

- Issued IFRS 17 *Insurance Contracts*
- Progressed work under the Better Communication in Financial Reporting initiative by publishing IFRS Practice Statement 2 *Making Materiality Judgements*, an Exposure Draft on updating the definition of 'material', a Discussion Paper on Principles of Disclosure and a case study report on disclosures to encourage companies to start their own projects to improve disclosures
- Continued developing the IFRS Taxonomy, which is now required for use by foreign companies listed in the US using IFRS Standards



Support implementation and consistent application

- Increased the effectiveness of the IFRS Interpretations Committee; the Committee addressed 27 topics in 2017: six will result in narrow-scope amendments; 16 resulted in published agenda decisions; five were considered by the Board
- Supported the implementation of Standards, especially IFRS 9, IFRS 15, IFRS 16 and IFRS 17, working in particular with national standard-setters and securities/prudential regulators
- Signed cooperation agreements with the World Bank and the Basel Committee on Banking Supervision to coordinate activities and support implementation

2017 performance

2018 priorities

- Issue the revised *Conceptual Framework for Financial Reporting*
- Advance the Better Communication in Financial Reporting initiative through work on the Primary Financial Statements, Principles of Disclosure and Management Commentary projects
- Publish a Discussion Paper on Financial Instruments with Characteristics of Equity
- Start work on projects in the research pipeline
- Research and develop a strategy that addresses the impact of technology on financial reporting and on the organisation
- Complete the review of the Accounting Standards Advisory Forum

- Support the implementation of IFRS 17, including through the Transition Resource Group for IFRS 17 (four meetings scheduled for 2018)
- Maintain an effective IFRS Interpretations Committee process
- Develop additional education materials to support other Standards, including the *IFRS for SMEs* Standard
- Continue to grow our publications offering, including developing additional annotated books of Standards



Global adoption

- The Organization for the Harmonization of Business Law in Africa (OHADA) announced that its 17 West and Central Africa member jurisdictions will start using IFRS Standards from 2019, bringing the total number of jurisdictions requiring IFRS Standards to 144 of the 166 jurisdictions assessed to date
- Japan reaffirmed its commitment to global standards; the number of Japanese companies that have decided to voluntarily adopt IFRS Standards reached approximately 170, representing about 30% of market capitalisation
- Companies in Saudi Arabia started using IFRS Standards
- Updated the licencing policy to protect the Foundation's intellectual property while supporting jurisdictions with adopting/implementing IFRS Standards, and ensuring appropriate translation and adoption contracts are in place

- Continue implementing our international strategy by deepening cooperation with other relevant international organisations and collaborating closely with national standard-setters
- Continue with effective stakeholder engagement initiatives
- Continue supporting jurisdictions and encouraging full adoption of IFRS Standards
- Continue implementing the new licencing model for use of the IFRS Foundation's intellectual property



Effective organisation

- The Trustees of the IFRS Foundation commissioned an independent survey of stakeholder perceptions of the Foundation
- Strengthened the organisation's financial resilience
- Filled key positions; for example, appointed Nili Shah as Executive Technical Director
- Launched a new website to improve access to information from the Foundation

- Implement the action plan developed in response to the perception survey, including commencing the update of the *Due Process Handbook*
- Relocate to the new office premises in Canary Wharf
- Complete management team changes with the appointment of Lee White as Executive Director
- Improve staff engagement and enhance the Foundation's brand as an employer; increase the number of technical staff to effectively deliver the Board's work plan and provide appropriate implementation support

2017 performance

2018 priorities

Introduction to the financial statements

2017 financial results

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

- the IFRS Foundation is reporting £8.7 million in comprehensive income for 2017, up from £3.2 million in 2016;
- total income from all activities increased by £1.5 million to £32.1 million;
- total operating expenses increased slightly to £24.3 million from £24.2 million; and
- as of 31 December 2017, the IFRS Foundation's net assets increased to £31.5 million.

Contributions

In 2017, contributions were £25.1 million, an increase of £1 million from 2016. The year-on-year increase in contributions resulted primarily from the impact of favourable exchange rates for euros and US dollars compared with British pounds on the unhedged portion of contributions. The IFRS Foundation received £19.4 million in US dollars and euros, or 77% of all contributions (2016: 76%).

In addition, there were unrealised exchange gains on forward foreign exchange contracts of £3.7 million included in finance income as disclosed in Note 9 of the financial statements, which relate to the hedged portion of future expected contributions. These gains are offset in part by realised exchange losses of £2.6 million from maturing forward foreign exchange contracts and cash holdings.

Because of the United Kingdom's decision to leave the European Union, currency exchange rates have experienced volatility, which is expected to continue. For more information on how the IFRS Foundation manages its currency risk refer to Note 7.

Publications and related activities

Overall publications and related activity revenue increased by 8%, or £473,000, from 2016. Licensing fees and revenue amounted to £2.9 million, a 14.3%, or £367,000, increase from 2016. Subscriptions totalled £1.8 million (2016: £1.8 million); book sales amounted to £1.6 million (2016: £1.5 million). Subscription numbers declined slightly; price increases during the year led to a 1.5% increase in subscription revenue. Book sales increased by 8.6%.

The cost of publications and related expenses increased by 10%, or £302,000, to £3.3 million, attributable to a range of expenses. Net income from publications and related activities increased by 5.5%, or £171,000 from 2016, amounting to £3.3 million. Additional revenue and expense information for publications and related activities is provided in Note 6 of the financial statements.

Expenses

Total operating expenses were £24.3 million, which is relatively unchanged from 2016. The main costs associated with developing IFRS Standards are salaries and related costs for the Board, technical staff and support staff. In both 2017 and 2016, these costs amounted to 79% of operating costs excluding publications.

There was a temporary decrease in headcount in 2017 owing to the timing gaps between leavers and their replacements leading to remuneration costs being lower than expected.

Reserves

As of 31 December 2017, the IFRS Foundation's reserves were £31.5 million (2016: £22.8 million).

The reserves include £3.4 million of net unrealised gains and another £3.5 million designated for investment in the Foundation's new premises in Canary Wharf. In effect, available realised reserves for continuing operations are circa £24.6 million. The IFRS Foundation's goal is to continue to maintain future operating reserves of cash and working capital equal to at least one year's operating expenditure. The operating reserve is an unrestricted fund balance set aside to stabilise the IFRS Foundation's finances by providing a 'cushion' against unexpected events or losses of income.

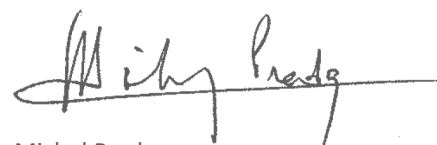
2018 outlook

In 2018, the IFRS Foundation will continue to manage its operating expenditure prudently and effectively and will actively pursue further initiatives to enhance the organisation's income. The 2018 plan includes the relocation of the Central London office to Canary Wharf in August; however, the organisation's operating requirements are not expected to increase significantly because of the move or other operational factors.

Trustee approval

These financial statements cover the year ended 31 December 2017. They have been prepared in compliance with IFRS Standards, including Interpretations, that were effective or applied early on 1 January 2017.

The financial statements were approved and authorised for issue by the IFRS Foundation Trustees on 30 April 2018. At that date there had been no events since 31 December 2017 that required disclosure in, or an adjustment to, the financial statements.



Michel Prada
Chair of the IFRS Foundation Trustees

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

Opinion

We have audited the financial statements of the IFRS Foundation (Foundation) set out on pages 21 to 31, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Standards).

Basis for opinion

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

This report is made solely to the Foundation's Trustees, as a body, in accordance with our letter of engagement dated 23 October 2017. Our audit work has been undertaken so that we might state to the Foundation's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Foundation and the Foundation's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 18 and pages 32 to 38, but does not include the financial statements on pages 21 to 31 and our auditor's report thereon on pages 19 to 20. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' responsibility for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

continued...

...continued

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

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

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

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



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

Date: 30 April 2018

Statement of comprehensive income

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Income			
Contributions	5	25,084	24,078
Revenue from publications and related activities	6	6,612	6,139
Other income	5	383	380
		<u>32,079</u>	<u>30,597</u>
Operating expenses			
Technical and operational activities			
• Board member and staff costs	1	(15,861)	(16,632)
• Other technical and operating costs	1	(2,203)	(1,856)
• IFRS Advisory Council, IFRS Interpretations Committee and other advisory bodies	1	(237)	(302)
Publications and related activities expenses	6	(3,317)	(3,015)
Trustee oversight	2	(930)	(878)
Premises, occupancy and related expenses	3	(1,708)	(1,478)
		<u>(24,256)</u>	<u>(24,161)</u>
Net operating income		7,823	6,436
Finance income	9	3,901	614
Finance costs	9	(3,060)	(3,828)
		<u>841</u>	<u>(3,214)</u>
Income before tax		8,664	3,222
Income tax expense	4	–	–
Comprehensive income for the year		<u>8,664</u>	<u>3,222</u>

Statement of changes in equity

Year ended 31 December 2017

Retained surplus at beginning of year	22,837	19,615
Comprehensive income for the year	<u>8,664</u>	<u>3,222</u>
Retained surplus at end of year	<u>31,501</u>	<u>22,837</u>

The notes on pages 24 to 31 form part of these financial statements.

Statement of financial position

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Current assets			
Cash and cash equivalents		13,145	9,931
Contributions receivable	5	2,471	2,863
Trade and other receivables		1,268	1,199
Prepaid expenses		710	644
Inventories		23	37
Bonds at fair value, including accrued interest	8	2,618	944
Forward currency contracts at fair value	7	325	–
		<u>20,560</u>	<u>15,618</u>
Non-current assets			
Bonds at fair value, including accrued interest	8	15,632	14,511
Forward currency contracts at fair value	7	138	183
Leasehold improvements, furniture and equipment	3	391	466
		<u>16,161</u>	<u>15,160</u>
Total assets		<u>36,721</u>	<u>30,778</u>
Liabilities			
Current liabilities			
Trade and other payables		286	341
Payroll taxes payable		603	484
Accrued expenses		1,273	943
Contributions received in advance	5	536	534
Rent incentive	3	63	82
Lease reinstatement provision	3	516	–
Publications revenue received in advance	6	1,324	1,248
Forward currency contracts at fair value	7	348	2,786
		<u>4,949</u>	<u>6,418</u>
Non-current liabilities			
Forward currency contracts at fair value	7	170	853
Lease reinstatement provision	3	101	607
Rent incentive	3	–	63
		<u>271</u>	<u>1,523</u>
Total liabilities		<u>5,220</u>	<u>7,941</u>
Net assets		<u>31,501</u>	<u>22,837</u>

The notes on pages 24 to 31 form part of these financial statements.

Statement of cash flows

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Operating activities			
Cash received			
Contributions		25,526	21,356
Publications and related activities		6,666	5,934
Funding for Asia-Oceania office	5	317	315
Interest		515	340
Foreign exchange settlements		–	41
Other receipts		21	41
Cash paid			
Salaries, wages and benefits		(15,629)	(16,850)
Publications and related activities expenses		(3,326)	(2,950)
Trustees' fees		(622)	(627)
Foreign exchange settlements		(2,615)	–
Other operating expenses		(4,216)	(3,585)
Net cash from operating activities		6,637	4,015
Investing activities			
Matured bonds receipts		751	3,225
New bond purchases		(4,002)	(6,346)
Purchase of leasehold improvements, furniture and equipment		(163)	(138)
Net cash from investing activities		(3,414)	(3,259)
Effects of exchange rate changes on cash and cash equivalents		(9)	(1,320)
Net increase in cash and cash equivalents		3,214	(564)
Cash and cash equivalents at the beginning of the year		9,931	10,495
Cash and cash equivalents at the end of the year		13,145	9,931

The notes on pages 24 to 31 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

Significant accounting policies

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.

The financial statements were approved and authorised for issue by the Trustees of the Foundation on 30 April 2018. At that date there had been no events since 31 December 2017 that required disclosure in, or an adjustment to, the financial statements.

The functional and presentation currency is sterling.

The Foundation's 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 2017.

In 2009, the Foundation elected to apply IFRS 9 *Financial Instruments* (2009) early; the Foundation has elected not to apply early subsequent versions of IFRS 9 published in 2010, 2013 and 2014. IFRS 9 (2014) has an effective date of 1 January 2018. IFRS 9 (2014) expands the current disclosure requirements. Apart from that, we do not expect any material effects on the Foundation's financial statements.

In 2014, IFRS 15 *Revenue from Contracts with Customers* was issued; the Foundation has elected not to apply it before the effective date of 1 January 2018. IFRS 15 expands the current disclosure requirements about revenue recognition. Apart from that, we do not expect any material effects on the Foundation's financial statements.

In 2016, IFRS 16 *Leases* was issued; the Foundation has elected not to apply it before the effective date of 1 January 2019. Under IFRS 16 the Foundation expects to recognise leasehold premises in the statement of financial position at approximately £3.1 million, together with a broadly similar lease liability (based on a five-year break clause).

In 2017, IFRS 17 *Insurance Contracts* was issued; the Foundation has elected not to apply it before the effective date of 1 January 2021. This Standard is not expected to be applicable to the Foundation.

Explanatory information

The explanatory notes have been organised into sections that provide a 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 several currencies received from its funding providers. Each section presents the financial information and any material accounting policies that are relevant to understanding the activities of the Foundation.

Activities

1 Technical and operational activities

Board member and staff costs

The main costs associated with developing IFRS Standards are the salaries of the Board members and the staff. The Foundation had an average headcount of 134 employees including Board members and paid-for secondees during 2017 (2016: 137).

	2017	2016
	£'000	£'000
Board member salaries and related costs	6,587	7,145
Technical and operational staff salaries and related costs	9,274	9,487
	<u>15,861</u>	<u>16,632</u>

The Trustees' Human Capital Committee reviews, benchmarks and recommends salary and benefit levels, which are reviewed and approved annually by the Trustees as a whole. Board members' gross salaries covering all compensation and benefits for 2017 were as follows: £563,700 for the Chair (2016: £559,600); £486,900 for the Vice-Chair (2016: £831,100), and an average of £446,500 for other full-time Board members (2016: £458,600). During 2016 three Board members left the Foundation including the Vice-Chair; all were replaced in 2017. In addition to the Trustees, Chair and Vice-Chair of the Board, the 'key management personnel' includes the Executive Director on an annual gross salary of £280,000 (2016: £276,000). The Foundation pays monthly contributions, at rates between 8% and 10% of gross salary, into a defined contribution group personal pension scheme for substantially all staff except Board members.

Other technical and operating costs

	2017	2016
	£'000	£'000
Audit, legal and taxation advice	148	94
Communication and technology	394	380
External relations	83	57
Human resource and recruitment activities	469	283
Meeting video conferencing	155	138
Travel and meetings	645	643
Other office related costs	309	261
	<u>2,203</u>	<u>1,856</u>

IFRS Advisory Council, IFRS Interpretations Committee and other advisory bodies

In 2017 and 2016, the Foundation paid remuneration to the Chair of the IFRS Advisory Council of £40,000 and £75,000 respectively per year. Additionally, the Foundation reimbursed travel and accommodation costs. Other members of the IFRS Advisory Council are not paid remuneration and meet all of their costs for 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 for 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:

	2017	2016
	£'000	£'000
IFRS Advisory Council remuneration costs	40	75
IFRS Advisory Council travel and meeting costs	59	82
IFRS Interpretations Committee travel and meeting costs	<u>138</u>	<u>145</u>
	<u>237</u>	<u>302</u>

2 Trustee oversight

The Foundation's management and governance is overseen by 20 Trustees (2016: 21). The Trustees meet three times a year. The Chair of the Trustees receives £200,000 per annum. Other Trustees receive an annual fee of £20,000 and are reimbursed for their travel on Foundation business. There are six Trustee committees; committee chairs receive an additional £7,000 per annum.

Costs associated with Trustee activities are as follows:

	2017	2016
	£'000	£'000
Remuneration costs	610	630
Travel and meeting costs	<u>320</u>	<u>248</u>
	<u>930</u>	<u>878</u>

3 Premises, occupancy and related expenses

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

	2017	2016
	£'000	£'000
Rent	927	772
Rates, insurance and energy	588	454
Service charges	265	287
Depreciation	249	228
Other costs	<u>85</u>	<u>—</u>
	<u>2,114</u>	<u>1,741</u>
Less amounts included in publications costs	<u>(406)</u>	<u>(263)</u>
	<u>1,708</u>	<u>1,478</u>

The Foundation operates from two premises, both of which are leased. The main activities are undertaken at 30 Cannon Street in London, UK. The Foundation also has an Asia-Oceania office located in the Otemachi Financial City South Tower in Tokyo, Japan. The Foundation has commitments for operating leases for the London premises until September 2018 and for the Tokyo premises until September 2022. In January 2018, the Foundation entered a new 10-year lease for London premises based in Canary Wharf; this lease includes a five-year break clause. The fit-out and relocation costs of the new premises are estimated to be in the range of £3,300,000 to £3,500,000 in 2018.

The Foundation received a rent incentive at the commencement of the lease for its current London premises, which was recognised as a liability. The aggregate benefit of the incentive 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 spread evenly over the remaining lease term. The London occupancy at 30 Cannon Street will end in 2018.

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

	2017	2016
	£'000	£'000
Within one year	717	851
In two to five years	250	866
More than five years	–	53
	<u>967</u>	<u>1,770</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 2017 other than depreciation.

	2017	2016
	£'000	£'000
Leasehold improvements		
Cost	1,515	1,441
Accumulated depreciation	<u>(1,306)</u>	<u>(1,209)</u>
Carrying amount	<u>209</u>	<u>232</u>
Furniture and equipment		
Cost	1,251	1,209
Accumulated depreciation	<u>(1,069)</u>	<u>(975)</u>
Carrying amount	<u>182</u>	<u>234</u>
Total carrying amount	<u>391</u>	<u>466</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 2017, the taxation expense is calculated on that basis, and is estimated to be £nil (2016: £nil).

At the end of 2017 the Foundation is carrying forward a loss for UK tax purposes of £6,129,000 (2016: £5,836,000). 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 in 2017 of £317,000 / JPY 50,000,000 (2016: £315,000 / JPY 50,000,000) towards the operations of the Asia-Oceania office located in Tokyo. £353,000 (2016: £348,000) has been recognised in other income to offset the related operating expenses.

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

	2017	2016
	£'000	£'000
UK Pounds	2,241	2,347
US Dollars	12,156	11,606
Euro	7,204	6,749
Other	3,483	3,376
	<u>25,084</u>	<u>24,078</u>

For more information on how the Foundation manages its currency risk refer to note 7. A full list of contributors can be found on page 32.

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, ie 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.

	2017	2016
	£'000	£'000
Revenue		
Sales of publications and subscriptions	3,447	3,287
Licensing and waiver fees	2,938	2,574
Other revenue, primarily conferences	227	278
	<u>6,612</u>	<u>6,139</u>
Expenses		
Staff salaries and related costs	1,904	1,853
Cost of goods sold	358	332
Depreciation	26	22
Other costs, including occupancy expenses	1,029	808
	<u>3,317</u>	<u>3,015</u>
Net income from publications and related activities	<u>3,295</u>	<u>3,124</u>

Management of funds

7 Market risk management

Foreign currency management

To manage risks associated with fluctuations in voluntary contribution levels, the Trustees of the Foundation have set a target of maintaining sufficient funds to be able to meet at least 12 months of its operating costs. The Foundation's expenses arise largely in sterling, whereas the organisation receives funding and future 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 foreign currency risk.

The Trustees have implemented a strategy to mitigate the foreign exchange fluctuation risks connected with these expected future net contributions. The Foundation generally forward sells approximately 90% of its expected net US dollar contributions, 70% of its expected net euro contributions and 50% of its expected net Japanese yen contributions to fix a sterling equivalent. Foreign currency is sold forward on a two year rolling basis.

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:	2017			2016		
	Fair Value '000	Notional Value '000	Weighted Average Rate	Fair Value '000	Notional Value '000	Weighted Average Rate
Financial Assets						
USD (Level 2)	£375	\$15,250	1.33	–	–	–
JPY (Level 2)	£17	¥141,000	146.75	–	–	–
EUR (Level 2)	–	–	–	£183	€5,000	1.098
Financial Liabilities						
USD (Level 2)	£(348)	\$7,500	1.447	£(2,905)	\$24,100	1.376
EUR (Level 2)	£(99)	€10,000	1.121	£(734)	€5,200	1.383

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 by 2020. The effect of these forward contracts is that the Foundation is exposed to the currency risk associated with the expected remaining 10% of projected net US dollar contributions, 30% of projected net euro contributions and 50% of projected net Japanese yen contributions that are not covered by the forward contracts.

A potential 10% increase in average exchange rates for sterling would have produced estimated losses on the remaining actual net US dollar contributions received during the year of £96,000 and on the remaining actual net euro contributions received during the year of £177,000. 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 and capital expenditure.

The Foundation manages and receives information from its advisors on its investments in bonds on a fair value basis that includes value changes attributable to interest rate risk. 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 face values of current and non-current bonds are presented in the following table.

	2017 Fair Value £'000	2017 Face Value £'000	2016 Fair Value £'000	2016 Face Value £'000
Current, including accrued interest	2,618	2,595	944	927
Non-current, including accrued interest	15,632	15,551	14,511	14,264
	<u>18,250</u>	<u>18,146</u>	<u>15,455</u>	<u>15,191</u>

The Foundation measures all other financial instruments at amortised cost. Those financial instruments include financial assets with a total carrying amount of £15,699,000 and financial liabilities with a total carrying amount of £286,000. The carrying amount of these financial assets and liabilities is a reasonable approximation of their fair value. These financial instruments include cash and cash equivalents, contributions receivable, publication-related receivables, and trade and other payables.

9 Finance income and finance costs

	2017 £'000	2016 £'000
Finance income:		
Interest income	219	200
Fair value gains on forward foreign exchange contracts	3,682	183
Fair value gains on bonds	–	203
Exchange gains on forward foreign exchange contracts and cash holdings	–	28
	<u>3,901</u>	<u>614</u>
Finance costs:		
Fair value losses on forward foreign exchange contracts	(282)	(2,508)
Fair value losses on bonds	(160)	–
Exchange losses on forward foreign exchange contracts and cash holdings	(2,618)	(1,320)
	<u>(3,060)</u>	<u>(3,828)</u>
	<u>841</u>	<u>(3,214)</u>

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

Financial supporters

(amounts translated into sterling on date received)

Jurisdiction	Organisation	
Cumulative amount raised by jurisdiction appears below the jurisdiction name		
Australia	£593,700	Financial Reporting Council
Brazil	£229,121	
	£100,000+	Fundação de Apoio ao Comitê de Pronunciamentos Contábeis
	£50,000+	The Brazilian Development Bank (BNDES)
	£25,000+	Central Bank of Brazil
Canada	£542,556	
	£100,000+	Chartered Professional Accountants of Canada
	Less than £25,000	Office of the Superintendent of Financial Institutions Canada
Chinese Taipei	£62,000	
	Less than £25,000	Accounting Research and Development Foundation
		Taipei Exchange
		Taiwan Depository & Clearing Corporation
EU	£4,142,523	European Commission
France	£882,924	French Ministry of Finance (ANC)
Germany	<i>Voluntary levy through the Accounting Standards Committee of Germany (DRSC)</i>	
	£834,462	
	£25,000+	adidas AG
		Allianz SE
		BASF SE
		Bayer AG
		Beiersdorf AG
		BMW—Bayerische Motoren Werke AG
		Commerzbank AG
		Continental AG
		Daimler AG
		Deutsche Bank AG
		Deutsche Post AG
		Deutsche Telekom AG
	Less than £25,000	Aareal Bank AG
		BAUER AG
		Borussia Dortmund GmbH & Co. KGaA
		Covestro AG
		CropEnergies AG
		DekaBank
		Fresenius SE & Co KG
		Henkel AG & Co KGaA
		Linde AG
		Merck KGaA
		Münchener Rückversicherungs-Gesellschaft AG
		ProSiebenSat1.Media SE
		RWE AG
		SAP SE
		Siemens AG
		ThyssenKrupp AG
		Volkswagen AG
		HSBC Trinkaus & Burkhardt AG
		INDUS Holding AG
		Infineon Technologies AG
		innogy SE
		Kion Group AG
		LANXESS AG

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Jurisdiction	Organisation
	Deutsche Beteiligungs AG
	METRO AG
	Deutsche Börse AG
	Norma Group SE
	Deutz AG
	OSRAM Licht AG
	Drägerwerk AG & Co KGaA
	Progress-Werk Oberkirch AG
	Dürr AG
	PUMA SE
	Fielmann AG
	QSC AG
	Fraport AG
	Rheinmetall AG
	freenet AG
	Sartorius AG
	Generali Deutschland Holding AG
	Schaeffler AG
	Gerresheimer AG (GX Glas GmbH)
	Südzucker AG
	GfK SE
	TUI AG
	GFT Technologies SE
	United Internet AG
	GRAMMER AG
	Villeroy & Boch AG
	Hannover Rück SE
	Wacker Chemie AG
	Heidelberger Druckmaschinen AG
	Wirecard AG
	HORNBACH Holding AG & Co. KGaA
Hong Kong SAR	
£150,307	
£50,000+	Hong Kong Exchanges & Clearing Ltd
£25,000+	Hong Kong Securities and Futures Commission
Less than £25,000	Hong Kong Monetary Authority
India	
£500,000	Ministry of Corporate Affairs
Indonesia	
£62,670	Financial Services Authority (OJK)
International	
£20,272	Bank for International Settlements
Ireland	
£7,562	Central Bank & Financial Services Authority of Ireland
Israel	
£17,000	Israel Securities Authority
Italy	
£677,006	Organismo Italiano di Contabilita
Japan	
£1,938,268	Financial Accounting Standards Foundation
£317,000	Financial Accounting Standards Foundation Restricted contribution for the Asia-Oceania office
Kazakhstan	
£8,109	National Bank of Kazakhstan
Malaysia	
£75,000	Malaysian Accounting Standards Board

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Jurisdiction	Organisation	
Netherlands		
	£341,137	
	£100,000+	Ministry of Finance
	Less than £25,000	De Nederlandsche Bank
New Zealand		
	£105,478	External Reporting Board
Norway		
	£90,845	Financial Supervisory Authority of Norway
People's Republic of China		
	<i>Through a system created by the Ministry of Finance</i>	
	£1,904,058	
	£100,000+	China Ministry of Finance Shanghai Stock Exchange
		Chinese Institute of Certified Public Accountants Shenzhen Stock Exchange
	£50,000+	China Investment Corporation
Portugal		
	£20,272	Banco de Portugal
Republic of Korea		
	<i>Organised through the Korea Accounting Standards Board</i>	
	£518,288	
	£100,000+	Korea Accounting Standards Board (KASB)
	£50,000+	Financial Supervisory Service Samsung Electronics Co. Ltd
	£25,000+	Ernst & Young Han Young Samsung C&T Corporation
		Korea Gas Corporation Samsung Fire & Marine Insurance Co. Ltd
		Samil PricewaterhouseCoopers Samsung Life Insurance Co. Ltd
		Samjong Accounting Corporation Samsung SDS Co. Ltd
	Less than £25,000	Celltrion, Inc. LG Electronics Inc.
		Hana Financial Group Inc. Samsung Card Co. Ltd
		KB Financial Group Inc. Samsung SDI Co. Ltd
		KEPCO Plant Service & Engineering Co. Ltd Samsung Securities Co. Ltd
		Korea District Heating Corporation Shinhan Financial Group Co. Ltd
		Korea Hydro & Nuclear Power Co. Ltd
Russia		
	£427,700	Ministry of Finance of the Russian Federation
Singapore		
	£70,000	Ministry of Finance
South Africa		
	£134,907	
	£100,000+	Companies and Intellectual Property Commission
	Less than £25,000	Johannesburg Stock Exchange
Spain		
	£344,709	Bolsas y Mercados Españoles

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Jurisdiction	Organisation		
Switzerland			
	£91,476		
	£50,000+	SwissHoldings	
	Less than £25,000	Swiss National Bank	Swiss Exchange Regulation
United Kingdom	<i>Levy system organised by the Financial Reporting Council</i>		
	£878,804		
United States of America			
	£694,798		
	£100,000+	Citigroup	CFA Institute
	£50,000+	AICPA	Board of Governors of the US Federal Reserve System
		Bank of America	J P Morgan Chase
	£25,000+	Ford Motor Company	Oracle
		Morgan Stanley	
	Less than £25,000	General Motors	Pepsico
International accounting firms			
	£8,706,761		
	(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\$200,000)	
	£25,000+	RSM International (US\$35,000)	
	Less than £25,000	Crowe Horwath International (US\$20,000)	
Trustees			
	£11,667	One Trustee waived his fee, which has been accounted as a contribution (Jin Liqun)	

IFRS Interpretations Committee members

At April 2018

Name	Title and organisation	Term expires
Andrew Buchanan	Global Head of IFRS, BDO International	30 June 2019
Tony de Bell	Senior Partner, Global Accounting Services Group, PwC	30 June 2019
Reinhard Dotzlaw, FCPA, FCA	National Managing Partner, Audit Professional Practice, KPMG	30 June 2019
Carl Douglas	Corporate Controller, CCR S.A.	30 June 2020
Mikael Hagström	Senior Vice President and CFO, Dongfeng Commercial Vehicles	30 June 2020
Jongsoo Han	Member, Korea Accounting Standards Board	30 June 2018
Bruce Mackenzie	Managing Partner, W Consulting International	30 June 2020
John O'Grady	Asia Pacific Assurance Professional Practice Director, EY	30 June 2018
Bertrand Perrin	Director, Accounting Standards and Special Projects, Vivendi	30 June 2019
Sandra Peters	Head, Financial Reporting Policy, CFA Institute	30 June 2018
Dr Martin Schloemer	Head of Accounting Principles & Policies, Bayer AG	30 June 2019
Robert Uhl	Partner, Deloitte & Touche LLP	30 June 2018
Bonnie Van Etten	NAFTA Chief Accounting Officer, FCA Group	30 June 2020
Yang Zheng	Vice President and CFO, New China Life Insurance Co Ltd	30 June 2019
Non-voting Chair		
Sue Lloyd	Vice-Chair, International Accounting Standards Board	

IFRS Advisory Council members

At April 2018

Represented body	Represented by	Position
Individual	Joanna Perry (Chair)	Non-Executive Director
Institute of International Finance	Gavin Francis (Vice-Chair)	Group Chief Accounting Officer, HSBC Holdings plc
Securities Analysts Association of Japan	Goro Kumagai (Vice-Chair)	Senior Fellow of the Strategic Research Department
ACTEO and MEDEF	Olivia Larmaraud	Deputy Corporate Accounting Director, PSA Peugeot Citroën
Basel Committee on Banking Supervision	William Coen	Secretary General
BDO	Dr Jens Freiberg	Head of International Financial Reporting, BDO AG Wirtschaftsprüfungsgesellschaft
Brazilian Development Bank	Vânia Maria da Costa Borgerth	Special Advisor for Corporate Reporting and Corporate Governance to the CEO
BusinessEurope	Kristian Koktvedgaard	Head of VAT, Accounting and Auditing Confederation of Danish Industry
Capital Markets Board of Turkey	Sibel Ulusoy Tokgöz	Deputy Head of the Accounting Standards Department
CFA Institute	Dr Giuseppe Balocchi	Future of Finance Content Council member
Comisión Nacional Bancaria y de Valores	Laura Ramirez	Deputy General Director on Accounting Regulation
Corporate Reporting Users Forum	Dr Lothar Weniger	ALIAG, Usingen, Owner
Council of Institutional Investors	Anne Simpson	Investment Director, Global Governance, CalPERS
Deloitte	Stephen Taylor	Audit Partner
European Accounting Association	Professor Ann Jorissen	Professor of Accounting, University of Antwerp, Antwerp Management School
European Central Bank (ECB)	Jürgen Kirchhof	Principal Finance Expert in the Financial Reporting and Policy Division, ECB
European Federation of Financial Analysts Societies (EFFAS)	Javier de Frutos	Chief Investment Officer, Sailbridge Capital
European Financial Reporting Advisory Group	Jean-Paul Gauzès	President
External Reporting Board (XRB), New Zealand	Ken Warren	Chief Accounting Advisor, The Treasury, New Zealand
European Securities Markets Authority	Roxana Damianov	Team Leader of the Corporate Reporting Team
EY	James Luke	Technical Partner, Africa Region
Fédération Internationale des Experts-Comptables Francophones	Aziz Dieye	Founder of Cabinet Aziz Dieye Senegal and the Centre Africain d'Etudes Supérieures en Gestion Management High School in Dakar
Financial Executives International	Ron Edmonds	Controller & Vice President of Controllers and Tax, DowDuPont
Financial Reporting Standards Council of South Africa	Garth Coppin	Member
Grant Thornton	Jake Green	Director of Financial Reporting, Grant Thornton UK LLP
HUB Global Insurance Group	Lynda Sullivan	Executive Vice President and Group Chief Accounting Officer, Manulife Financial
Individual	Surya Subramanian	Group Chief Financial Officer, Emirates NBD
Indonesian Financial Services Authority (OJK)	Dr Etty Wulandari	Deputy Commissioner
Insurance Europe	Olav Jones	Deputy Director General
International Actuarial Association (IAA)	Micheline Dionne	Member of the IAA Executive Committee

Represented body	Represented by	Position
International Association for Accounting Education & Research	Holger Daske	Professor and Chair of Accounting and Capital Markets, University of Mannheim
International Association of Insurance Supervisors	Abdulrahman Fahd Almosad CMA	Insurance Supervisor
International Co-operative Alliance	Isabelle Ferrand	Chief Financial Officer, Confédération Nationale du Credit Mutuel
International Corporate Governance Network	Ian Burger	Head of Corporate Governance, Newton Investment Management
International Federation of Accountants	John Stanford	Technical Director of the International Public Sector Accounting Standards Board
International Monetary Fund (IMF)	Ghiath Shabsigh	Assistant Director, Monetary and Capital Markets Department, IMF
International Organization of Securities Commissions	Ton Meershoek	Technical Expert in Financial Reporting at the Authority for the Financial Markets, the Netherlands
	Areewan Aimdilokwong	Specialist in the Accounting Supervision Department, Securities & Exchange Commission of Thailand
Investment Company Institute	Clive Brown	Chief Executive of RBC Global Asset Management (UK) Limited
Investment Association	Colin McDonald	Director of Accounting Policy at BlackRock
Korea Accounting Standards Board (KASB)	Dr Jee In Jang	Advisor to KASB
KPMG	Andrew Marshall	Senior Technical Partner
Ministry of Finance, People's Republic of China	Yibin Gao	Director General of the Accounting Regulatory Department
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	Executive Officer, Head of Accounting & Finance Division, Nippon Steel & Sumitomo Metal Corporation
PwC	Henry Daubeney	Partner, Global Head of Reporting and Chief Accountant
Shanghai University of Finance and Economics	Professor Xinyuan Chen	Vice President and Professor
UK FRC (representing the national standard-setters of France, Germany, Italy and the UK)	Paul George	Executive Director of Corporate Reporting and Governance
Wipro Ltd	Suresh Senapaty	Advisor, former member of the Board and CFO
World Bank	Pam O'Connell	Director and Chief Accountant

Observer organisations

European Commission

Japan Financial Services Agency

US Securities and Exchange Commission

Stepped down from the Council at the end of 2017:

Rudolf A Bless, FEI; Prasan Chuaphanich, Federation of Accounting Professions; Paul Fitzsimon, PwC;

Robert Koethner, ERT/EuropeanIssuers; Anne Molyneux, ICGN; Gregory M Smith, ICI; and Uğur Yaylaönü, CMB.

“The Trustees thank all employees and contributors to the work of the IFRS Foundation for their dedication and efforts throughout 2017”

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