



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:01)  
held on 18 January 2007 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director and Secretary
Mike Ashley	
Peter Elwin	
Roger Marshall	
Robert Overend	
Geoffrey Whittington	

IN ATTENDANCE

Michael Kavanagh	IAASA Observer
David Tyrrall	DTI
David Watkins	HM Treasury
Roger Nicklen	Minutes Secretary
Carol Salah	Minutes Secretary Observer

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Jennifer Guest, Seema Jamil-O'Neill and Simon Peerless.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni, Helen Weir and Peter Westlake.

1 MINUTES OF MEETING

The minutes of the meeting held on 7 December 2006 (2006:13) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board considered its composition and agreed to change its Articles of Association to increase the maximum number of Board members to 11 to enable a potential candidate from the smaller quoted company sector to be added to the Board.

2.2 The Board noted publication by the Financial Reporting Council (FRC) of its draft Strategic Framework.

2.3 The Board discussed the Department of Trade and Industry (DTI) proposals for consultation on the implementation of the Companies Act 2006 and expressed interest in seeing the consultation timetable as soon as possible. The Board also noted the possible need to review its Reporting Statement 'Operating and Financial Review' to take account of the Act's provisions on narrative reporting.

2.4 The Board received an oral report on recent discussions in the European Financial Reporting Advisory Group Technical Expert Group (EFRAG TEG) on the adoption of IFRIC

12 'Service Concession Arrangements' and on general strategy and the Board noted the forthcoming Commission Roundtable on Consistent Application of IFRS.

2.5 The Board noted the activity and status reports and approved the latter for publication on the website.

### 3 HALF-YEARLY FINANCIAL REPORTS

3.1 The Board considered a further draft Exposure Draft of a revised Statement 'Half Yearly Financial Reports' updating the Board's Statement 'Interim Reports' in the light of the EU Transparency Directive and the Financial Services Authority's Disclosure and Transparency Rules (DTR).

3.2 The Board considered whether to issue a Financial Reporting Standard, a Reporting Statement or a Statement, noted legal advice that the Board's status as standard setter in company law was confined to 'annual' accounts, and concluded that as all the requirements of the Transparency Directive had to be implemented by 20 January 2007 full consideration of all relevant issues enabling it to publish a Reporting Statement would not be possible in the time available. The Board agreed to confine itself to guidance on meeting the DTR but to seek the views of respondents on whether to initiate a project on convergence with IAS 34 'Interim Financial Reporting' in the longer term. The Board noted the lack of guidance on interim reporting in relation to pensions and agreed to mount a separate review and to invite comments on whether additional guidance was needed in any other areas.

3.3 The Board approved publication of the Exposure Draft with a three month comment period subject to clearance of the final text with members outside the meeting.

### 4 FAIR VALUE MEASUREMENTS

4.1 The Board considered a draft response to the IASB on its Discussion Paper 'Fair Value Measurements'.

4.2 The Board's view was that while the Discussion Paper offered a suitable methodology for determining market-based exit values this was not a suitable basis for determining fair value in all circumstances. The Board disagreed with the assertion that use of the proposed definition would not alter existing practice. There was concern that the application of the definition in all the circumstances of its use in existing standards had not been thoroughly analysed. There was also concern that the IASB was placing on constituents the burden of disproving the relevance of the proposed definition of fair value to each of the uses of the term 'fair value' in existing standards without itself having given full consideration to whether fair value was an appropriate measurement objective.

4.3 The Board agreed to consider further the response to IASB at its next meeting.

### 5 AMENDMENTS TO THE EU ACCOUNTING DIRECTIVES

5.1 The Board considered further the implications of amendments to the 4<sup>th</sup> and 7<sup>th</sup> European Union Directives in relation to off-balance sheet arrangements and third party transactions, to be implemented into UK law by September 2008.

5.2 The Board noted that the Department of Trade and Industry (DTI) intended to consult on the implementation of the amendments.

5.3 The Board discussed whether the new requirements on off-balance sheet arrangements were equivalent to those in FRS 5 'Reporting the Substance of Transactions', agreed to defer a decision on whether to amend FRS 5 until the outcome of the DTI's consultations was known but commissioned preparatory work on the amendment of FRS 5 together with any associated guidance.

5.4 The Board also considered what action to take on related party disclosures and took the preliminary view that it should consult on replacing FRS 8 'Related Party Disclosures' with IAS 24 'Related Party Disclosures' but retaining the current exemptions.

## 6 UITF ABSTRACT 44 'FRS 20 (IFRS 2) - GROUP AND TREASURY SHARE TRANSACTIONS'

6.1 The Board considered whether to publish UITF Abstract 44 'FRS 20 (IFRS 2) - Group and Treasury Share Transactions' putting into UK GAAP IFRIC 11 'Group and Treasury Share Transactions'. The Board noted the concerns of the UITF that application of the Abstract would place a compliance burden on subsidiaries out of proportion to the benefits to users of their accounts. The Board also noted the UITF's intention to seek further clarification from the International Financial Reporting Interpretations Committee (IFRIC) on this and other issues.

6.2 The Board accepted the UITF view that IFRIC 11 was an appropriate interpretation of IFRS 2 'Share-based Payment' and that as FRS 20 'Share-based Payment' was converged with IFRS 2 the Abstract should be published in the UK. The Board was nevertheless concerned about the compliance burden, agreed to consider whether to amend FRS 20 to reduce that burden and agreed to a statement to that effect being added to the Preface to UITF Abstract 44.

6.3 The Board approved for publication UITF Abstract 44 'FRS 20 (IFRS 2) - Group and Treasury Share Transactions.'

## 7 AMENDMENT TO FRS 3 'REPORTING FINANCIAL PERFORMANCE'

7.1 The Board considered the conflict between the prohibition on recycling in FRS 3 'Reporting Financial Performance' and the recycling requirements in 'FRS 26 (IAS 39) Financial Instruments: Measurement' and FRS 23 (IAS 21) 'The Effects of Changes in Foreign Exchange Rates' and noted the UITF's view that an amendment to FRS 3 was required.

7.2 The Board reaffirmed its opposition to recycling.

7.3 The Board agreed that there was a conflict between FRS 3 and the two converged standards FRS 26 and FRS 23, and agreed to consult on a limited amendment to FRS 3. The Board commissioned preparation of an Exposure Draft to be issued with a six week consultation period.

## 8 APPOINTMENT OF CHAIRS OF THE COMMITTEE ON ACCOUNTING FOR SMALLER ENTITIES (CASE) AND THE FINANCIAL SERVICES AND OTHER SPECIAL INDUSTRIES COMMITTEE (FSOSIC)

The Board approved the appointment of Ian Mackintosh as Chair of CASE, in succession to Isobel Sharp, and of David Loweth to FSOSIC, in succession to Ian Mackintosh, both with immediate effect.

9 IASB ROUNDTABLE ON THE IASB/FASB CONCEPTUAL FRAMEWORKS PROJECT

The Board took note of the background materials for the forthcoming IASB Roundtable on the measurement phase of the IASB/FASB conceptual frameworks project and of the latest report on the implications of the project for public benefit entities.

10 COMMON CONTROL TRANSACTIONS

The Board considered a request from the IASB for information regarding common control transactions arising from a European Commission request for the IASB to mount a project. The Board questioned the need for the IASB to treat this as a priority in the context of its Business Combinations II project and approved a response both making that point and arguing for a pragmatic and commonsense approach to common control transactions using merger accounting.

11 REPORTS OF THE DECEMBER MEETINGS OF EFRAG'S TECHNICAL EXPERTS GROUP (TEG) AND THE IASB

The Board took note of the reports of the December meetings of EFRAG's Technical Experts Group (TEG) and the IASB.

12 NEXT MEETING

Thursday 8 February, 9.00 a.m.