



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2006:11)
held on 9 November 2006 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

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

IN ATTENDANCE

Sir Christopher Hogg	Chairman, FRC
Andrew Lennard	Director of Research
Michael Kavanagh	IAASA Observer
Ben Higgin	DTI
David Tyrrall	DTI
David Watkins	HM Treasury (items 1-5)
Evelyn Ryle	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Jennifer Guest, Seema Jamil-O'Neill and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Mike Ashley, Marisa Cassoni and Helen Weir.

1 MINUTES

The minutes of the meeting held on 19 October 2006 (2006:10) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

The Board received an update on the EU Commission's roundtable on consistent application of International Financial Reporting Standards (IFRS). The Board noted that the Companies Bill had received Royal Assent and commissioned a paper on the implications for the ASB. The provisions of the Companies Act were to be implemented by 2008.

The Chairman reported that the EU Commission was proposing legislation on simplification, particularly in relation to small and medium-sized enterprises

(SMEs). It was noted that the EU Regulation on IFRS was up for review by July 2007.

3 FINANCIAL REPORTING COUNCIL (FRC): STRATEGIC FRAMEWORK

The Board considered a working draft of the FRC's strategic framework and made a number of suggestions as to how the drafting could be improved to ensure that outcomes were appropriate. It was agreed that it was important to be able to demonstrate linkage between the various layers of the framework. There should be emphasis on the role of efficient regulated markets in enabling wealth creation and on the role of high-quality reporting. There was some debate about whether there should be a specific reference to the 'true and fair view' within the strategic framework, since it was part of the legal framework and did not necessarily equate to high-quality financial reports. The importance of lobbying and influence with international fora should be stressed. The Board noted that the FRC was aiming to issue a draft strategic framework for public consultation in December 2006.

4 PROPOSED AMENDMENT TO FRS 17 (RETIREMENT BENEFITS)

The Board considered a number of issues in relation to the proposed amendment to FRS 17 'Retirement benefits' to align the disclosures in FRS 17 with those of the equivalent international standard, International Accounting Standard (IAS) 19. It was agreed that there would be no amendment to take account of multi-employer schemes, but that the effective date would be amended to accounting periods beginning on or after 6 April 2007 in order to respond to concerns expressed by some commentators about the time needed to prepare for the amended disclosure requirements. Early adoption would be encouraged. An immediate press release would be issued.

The Board considered the issue of disclosure of buy-out amounts and tentatively agreed that the most appropriate pension scheme figure would be that prepared under Guidance Note 9 (Funding Defined Benefits—Presentation of Actuarial Advice) for the preparation of valuations under Section 224 of the Pension Act 2004. That figure was already made available to pension scheme members in Summary Funding Statements.

The Board considered a revised draft of the proposed amendment to FRS 17 and agreed that the draft should be circulated to members for final approval for publication.

5 IFRIC INTERPRETATION: SERVICE CONCESSION ARRANGEMENTS

The Board considered the near-final draft of the IFRIC Interpretation 'Service Concession Arrangements'. It was noted that a public meeting on the near-final draft was scheduled for 13 November 2006. The Chairman would attend on behalf of the ASB.

The Board noted that IFRIC had decided not to amend the scope of the draft Interpretation or its control approach to service concession arrangements. The Board expressed some reservations about both those decisions. The Board was particularly critical of the proposed distinction between the financial assets model and the intangible asset model and expressed concern that the approach would be readily open to financial manipulation. However, the Board noted that, in effect, the options were to accept or reject the IFRIC Interpretation in its entirety. On balance, the Board's view was that the Interpretation would lead to more consistent practice and should not be rejected

6 EXPOSURE DRAFT (ED):
CIPFA/LASAAC 2007 SORP FOR LOCAL AUTHORITIES

The Board noted the changes that the CIPFA/LASAAC Joint Committee was proposing to make in the 2007 Statement of Recommended Practice (SORP) for Local Authorities in order to reflect the Financial Reporting Standards on financial instruments and other changes in accounting standards and legislation. The Board noted the Joint Committee's proposal not to include the use of the 'held to maturity' designation for financial instruments in the SORP and the potential need for Regulations to mitigate the impact of the SORP's proposals on council tax and deficit budgeting.

On the issue of subsidised loans from Local Authorities to charities and voluntary bodies, the Board took the view that such a loan should normally be recorded at fair value on initial recognition. It should not be assumed that any write-down would automatically qualify as an asset, although Local Authorities should be permitted to carry forward an asset if the existence of that asset could be clearly demonstrated. The draft SORP would include a question on this issue.

7 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

The Board received an update on the joint IASB/FASB conceptual framework project. It was noted that the IASB and FASB had decided to finalise and issue the conceptual framework on a chapter-by-chapter basis. The Board noted that the chapter-by-chapter approach could lead to problems of inconsistency. A flexible approach would be needed. Standard-setting should be an empirical rather than a deductive, top-down process.

The Board noted the parallel work being done on the implications for the conceptual framework for public-benefit entities. It was also noted that a large number of responses had been made on the IASB's Preliminary Views Discussion Paper on Phase A of the project.

8 INTERIM REPORTS:
PROPOSAL FOR AN EXPOSURE DRAFT OF A REPORTING STATEMENT

The Board noted the implications of the Transparency Directive for the ASB's 1997 statement 'Interim Reports'. The FSA had not mandated the ASB statement but was now laying much greater weight on the ASB's statement in terms of judging whether entities had complied with the Transparency Directive requirement that the persons responsible within the issuers had to certify that the half-yearly financial statements gave a true and fair view. Against that background, the Board agreed that the existing text of the statement 'Interim Reports' should be reviewed. A revised statement would be needed for half-yearly reports published under the Transparency Directive for periods from 20 July 2007. Earlier publication and adoption might be possible.

9 PROPOSED REVIEW OF URGENT ISSUES TASK FORCE (UITF)

The Board considered whether there was a need for an early review of the Urgent Issues Task Force (UITF) in the light of the commitment to a review given in the Board's 2005 Policy Statement. It was noted that UK GAAP still existed which suggested a continuing need for an interpretation body. It was agreed that the position of the UITF should be reviewed at a future date. For the present, the UITF should continue in its present role.

10 REPORTS OF MEETINGS OF IASB, IASB/FASB, EFRAG TEG

The Board noted the reports of the October meetings of the IASB, the IASB/FASB joint meeting, and the Technical Experts Group of EFRAG.

11 NEXT MEETING

Thursday, 23 November 2006, at 9.00 a.m.