



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2006:04)  
held on 20 April 2006 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Secretary and Acting Technical Director
Mike Ashley	
Marisa Cassoni	
Robert Overend	
Helen Weir	
Peter Westlake	
Ian Drennan	IAASA Observer
Geoffrey Whittington	IASB Liaison Member

IN ATTENDANCE

Anne McGeachin	IASB (for Item 7)
Andrew Lennard	Director of Research
Ben Higgin	DTI
David Watkins	HM Treasury
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp, Peter Godsall, Jennifer Guest and Simon Peerless.

APOLOGIES FOR ABSENCE were received from Roger Marshall and Jonathan Symonds.

1 MINUTES

The minutes of the meeting held on 30 March (2006:03) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORT ON THE STATUS OF ASB PROJECTS

The Chairman reported on the first meeting under the new arrangements for consultation between the International Accounting Standards Board (IASB), the European Financial Reporting Advisory Group (EFRAG) and the standard setters in the UK, France and Germany. The discussions had included the working arrangements between the European Commission and EFRAG, the IASB and US

Financial Accounting Standards Board (FASB) Memorandum of Understanding, the IASB work plan and agenda pressures, progress with the conceptual framework project, and the projects on business combinations, revenue recognition and performance reporting. The next meeting was scheduled to be held in October.

The Chairman reported on a meeting with the DTI and the FSA at which there had been discussions on the SEC's proposals to review all IFRS financial statements, on the development of the working relationship between the European Commission and EFRAG, on participation in the Commission's forthcoming round-table on consistent application and on UK representation in the IASB.

The Board took note of the publication of the IASB's 'Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-Setters'.

The Board received updates on individual projects. The Board was informed that responses to the DTI's consultation on the Operating and Financial Review (OFR) were being analysed and would be taken into account in tabling amendments for the House of Lords Report Stage of the Company Law Reform Bill. The level of interest in the round table on fair value measurement to be held on 24 April had necessitated an additional session being arranged.

### 3 STRATEGY FOR CONVERGENCE OF UK STANDARDS WITH IFRS

The Board considered further its strategy for convergence of UK Standards with IFRS and commissioned further research. In particular, the Board discussed where the boundaries might be determined between entities that applied full IFRS and those that could apply any simplified alternative. The Board reached some tentative views and agreed that a statement on these should be prepared for publication and consultation.

### 4 REPORT ON RECENT AND UPCOMING ASB ACTIVITIES

The Board noted a report on the ASB's recent and upcoming activities.

### 5 REPORT OF THE MARCH MEETING OF IASB

The Board noted a report of the IASB's March meeting.

### 6 RETIREMENT BENEFITS SCHEMES: DISCLOSURES

The Board considered a preliminary draft of an Exposure Draft of an amendment to Financial Reporting Standard (FRS) 17 'Retirement Benefits' (replacing its disclosure requirements with those in International Accounting Standard (IAS) 19 'Employee Benefits') and of a Reporting Statement setting out best practice recommendations for additional disclosure requirements. A revised draft would be considered by the Board at its next meeting.

7 IASB'S SHORT-TERM CONVERGENCE PROJECT ON INCOME TAXES

The Board received an oral presentation on IASB's short-term convergence project on income taxes. The objective of the project was to reduce the differences between IAS 12 'Income Taxes' and the equivalent US standard, SFAS 109 'Accounting for Income Taxes'. An Exposure Draft was scheduled to be published by the IASB and the US Financial Accounting Standards Board (FASB) within the next few months.

8 IASB'S ED 8 'OPERATING SEGMENTS'

The Board considered IASB's ED 8 'Operating Segments' together with a draft comment letter from EFRAG. The Board agreed that the ASB responses to IASB and to EFRAG should indicate support for the 'management approach' to reporting segmental information, with no requirement to reconcile segments to IFRS, and for use of the IFRS basis for reporting segments being optional, and should advance the view that country of domicile might not be the most relevant criterion for separating geographical information.

9 PROPOSED AMENDMENT TO IFRS 2 'SHARE-BASED PAYMENT – VESTING CONDITIONS AND CANCELLATIONS'

The Board considered an EFRAG draft comment letter on IASB's Exposure Draft of its amendments to IFRS 2 'Share-Based Payment – Vesting Conditions and Cancellations'. The Board had expressed concerns with IASB's proposals in its Preface when issuing IASB's proposals as an Exposure Draft of amendments to IFRS 20 (IFRS 2) 'Share-based Payment'.

The Board discussed the alternative methods of accounting for the cancellation of an option by an employee, and agreed that, as proposed in the IASB exposure draft, such cancellation was not a failure to meet a vesting condition. Furthermore, as the expected level of cancellations was to be taken into account in measuring the fair value of the options at grant date, the IASB's proposed accounting treatment of cancellations by the employee was consistent with the model in IFRS 2 and IFRS 20. However, Save-as-You-Earn (SAYE) schemes in the UK had features that made employee cancellations rather different from the cancellations envisaged by the IASB in its exposure draft, and a different treatment would be appropriate. The Board agreed that a response should be made to EFRAG on that basis.

The Board's response to IASB on the Exposure Draft would be considered at a later date.

10 ACCOUNTING FOR LEASES

The Board deferred consideration of an update on the project on accounting for leases until its next meeting.

11 NEXT MEETING

Thursday 11 May, 9.00 a.m.