BOARD DECISIONS ON INTERNATIONAL FINANCIAL REPORTING STANDARDS

IASB UPDATE

February 2005

The International Accounting Standards Board met in London on 15, 16 and 17 February, when it discussed:

- Insurance Contracts
- Accounting Standards for Non-Publicly Accountable Entities
- Business Combinations II - Purchase Method Procedures
- ED 7 *Financial Instruments: Disclosures*
- Management Commentary
- Income Taxes – Short-term Convergence
- Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- Fair Value Option
- Financial Guarantee Contracts and Credit Insurance
- Conceptual Framework
- IFRIC Matters

Insurance Contracts

The Board held educational sessions on non-life insurance contracts, focusing on discounting and risk margins. The sessions were led by representatives of the Casualty Actuarial Society (assisted by representatives of the Tillinghast business of Towers Perrin and PricewaterhouseCoopers), the General Insurance Association of Japan and the Group of North American Insurance Enterprises (assisted by representatives of Ernst & Young). No decisions were made. The materials for the presentations are in the observer notes for this meeting at http://www.iasb.org/meetings/0502.asp, with references to research performed by the presenters.

Next steps

The Board expects to discuss the following aspects of non-life insurance accounting at a future meeting (timing to be determined):

- the level of detail to be given on estimating cash flows. The educational discussion in January provided background for this discussion.
- whether the measurement of non-insurance claims liabilities should include discounting and risk margins.
- a review of four possible measurement approaches discussed in January by the Insurance Working Group.

The Insurance Working Group meets next on 13 and 14 April in London. That meeting is expected to concentrate on accounting for life insurance.

Accounting Standards for Non-Publicly Accountable Entities (NPAEs)

Focus of the project

In January, the Board decided that the project formerly known as 'Accounting Standards for Small and Medium-sized Entities' should focus on financial reporting by those non-publicly accountable entities (NPAEs) that publish general purpose financial statements for external users. Examples of such external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. At the February meeting, the Board clarified that the reason for specifying this focus is to provide a frame of reference by which the Board can assess user needs and the costs and benefits of accounting alternatives. Each jurisdiction must decide whether the standards should be required or permitted for all or some non-publicly accountable entities.

Terminology: NPAEs, not SMEs

Because of the newly specified focus, the project should refer not to 'small and medium-sized entities' (SMEs) but to 'non-publicly accountable entities' (NPAEs).

Broadening the advisory group

The Board provided guidance to the staff on broadening the Board's advisory group – to be renamed Working Group on NPAEs – by adding preparers and users of financial statements of non-publicly accountable entities.

Project plan

The staff presented a draft project plan outlining the steps leading to standards for NPAEs, and the Board agreed with the plan.

The Board agreed with the staff's plan to hold round-table discussions on recognition and measurement issues with preparers and users of NPAE financial statements, probably during the second week of September 2005. The Board also agreed with the plan to develop questions for discussion at the round-tables but indicated that care should be taken to ensure that the questions are neutral and designed to elicit as much objective information as possible.

The Board suggested that respondents to the questionnaire should also be asked to identify transactions that are addressed in IFRSs but do not occur frequently in NPAEs. The goal would be to identify sections of IFRSs that might be omitted from NPAE standards because they are not likely to be applicable to NPAEs.

Business Combinations II - Purchase Method Procedures

The Board continued discussing convergence issues that were identified in developing the joint FASB-IASB Business Combinations Exposure Draft. The FASB discussed those issues at its Board meeting on 16 February 2005.

(Continued…)

30 Cannon Street,
London EC4M 6XH, United Kingdom
Email: iasb@iasb.org
Website: www.iasb.org

IASB Publications Department,
30 Cannon Street, London, EC4M 6XH
United Kingdom
Tel: +44 (0)20 7332 2730
Fax: +44 (0)20 7332 2749
Email: publications@iasb.org
ISSN 1474-2675

Business Combinations II - Purchase Method Procedures *(...continued)*

Recognition of an acquirer's deferred tax benefits as a result of a business combination

The Board considered whether an acquirer's deferred tax asset that becomes realisable as a result of a business combination should be recognised as part of the accounting for a business combination. The Board decided that the acquirer should recognise a deferred tax asset, but should not include it as part of the accounting for the business combination. This decision results in retaining the guidance in paragraph 67 of IAS 12 *Income Taxes*, but the Board will clarify that the deferred tax asset should not be recognised before the business combination takes place, ie before the acquisition date. As its meeting, the FASB decided to converge with the IASB with respect to this issue. Both boards decided to require a disclosure of the amount of the deferred tax benefits of the acquirer that become realisable as a result of the business combination and, therefore, are recognised.

Converging disclosure Requirements

The Boards considered at their respective Board meetings whether further convergence could be reached for the disclosure requirements in the project.

The Board decided:

- To require disclosure of the amounts recognised as of the acquisition date for each major class of assets and liabilities to be in the form of a *condensed balance sheet* (included in paragraph 67(f) of IFRS 3).
- To remove the requirement to disclose the carrying amounts of each class of the acquiree's assets and liabilities determined in accordance with IFRSs, immediately before the combination (included in paragraph 67(f) of IFRS 3). The Board agreed with the FASB that this disclosure would be burdensome for many preparers.
- To require (a) disclosure of the maximum potential amount of future payments (undiscounted) the acquirer could be required to make under the terms of the acquisition agreement and (b) if there is no limitation on the maximum amount, disclosure of that fact.
- To remove the requirement to provide details of any operations the entity has decided to dispose of as a result of the combination (paragraph 67(e) of IFRS 3) as it duplicates disclosure requirements in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
- To require disclosure of the assets acquired and liabilities assumed for which the measurement period is still open, if the amounts recognised in the financial statements for the business combination have been determined only provisionally.
- To require disclosure of the total goodwill and the amount of goodwill that is expected to be deductible for tax purposes for goodwill arising from business combinations that occur during the period and, if practicable, for goodwill arising from business combinations after the balance sheet date but before the financial statements are authorised for issuance.

These decisions will result in the same disclosure requirements as the FASB for these requirements.

IFRS 3 requires disclosure of the amount and an explanation for any gain or loss recognised in the current period that relates to the identifiable assets acquired or liabilities assumed in a business combination, and is of such size, nature, or incidence that disclosure is relevant to understanding the combined entity's financial statements (paragraph 73(a)). At this meeting, the IASB decided to limit this disclosure to the annual period in which a business combination takes place and the following annual period. Also, the IASB asked the FASB to consider including this disclosure requirement in the joint Exposure Draft for the sake of convergence and jointly solicit feedback from constituents about the usefulness and the potential costs of providing this disclosure.

SFAS 141 *Business Combinations* requires disclosure of the amount of goodwill by reportable segment, for goodwill arising from business combinations during the period and after the balance sheet date but before the financial statements are issued. The Board considered whether to require this disclosure and concluded that the FASB should be asked to clarify the objective of this disclosure. The Board noted that IAS 36 *Impairment of Assets* includes a requirement to disclose goodwill for each cash-generating unit (group of units) for which the carrying amount of goodwill allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill.

The boards still have areas of divergence relating to the requirement to disclose the revenue and profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period (paragraph 70 of IFRS 3). The IASB disclosure requirement applies to all reporting entities whereas the equivalent FASB disclosure applies only if the acquirer is a public entity and only on a supplemental pro forma basis (unaudited). In addition, SFAS 141 requires these disclosures for the comparable prior annual periods; IFRS 3 does not. The boards concluded that these differences stem from jurisdictional differences in disclosure requirements.

Reliability of measurement recognition criterion for intangible assets acquired in a business combination

IFRS 3 requires that an intangible asset acquired in a business combination must be reliably measurable in order to be recognised separately from goodwill. SFAS 141 does not have a similar requirement.

In finalising IFRS 3, the Board concluded that it might not always be possible to measure reliably the fair value of an intangible asset that has an underlying contractual or legal basis. Therefore, at the time it issued IFRS 3, the Board decided to include the reliability of measurement criterion.

At this meeting the Board considered whether to retain the reliability of measurement criterion for intangible assets, given that it is a significant convergence issue. The Board decided for the sake of convergence to remove the reliability of measurement criterion and converge with SFAS 141.

As a result of this discussion, the Board removed the related disclosure requirement (in paragraph 67(h) of IFRS 3). The Board also decided that the joint Exposure Draft should ask constituents to address this issue. Specifically the Board is interested in learning whether there are circumstances in which an intangible asset arising from legal or contractual rights (a) cannot be sold, transferred, licensed, rented, or exchanged individually or in combination with a related contract, asset, or liability and (b) cash flows that this asset generates are inextricably linked with the cash flow that the business generates as whole. After receiving feedback the boards could jointly consider whether there is evidence of particular circumstances other than an assembled workforce in which the fair value of an intangible asset might not be capable of being measured reliably separately from goodwill.

Incorporation of guidance in EITF 04-1 *Accounting for Pre-existing Relationships between the Parties to a Business Combination*

At its December 2004 meeting, the Board considered incorporating the guidance in EITF 04-1 into the application guidance in the joint Exposure Draft.

The Board decided to incorporate the guidance in EITF 04-1 into the application guidance in the joint Exposure Draft and include guidance for the subsequent accounting that is consistent with IAS 38.

Reverse Acquisition Guidance and Example

IFRS 3 provides application guidance on how to account for reverse acquisitions. A non-authoritative example accompanying IFRS 3 illustrates that guidance.

The Board decided to revise this guidance to emphasise that in a reverse acquisition in which the legal parent is a public entity it would not be unusual to overcome a presumption that the acquisition-date fair value of the consideration transferred by the acquirer provides the best basis for measuring the fair value of the acquirer's interest in the acquiree on that date.

Exposure Draft of Amendment to IAS 27 *Consolidated and Separate Financial Statements* – Sweep Issues

The Board also considered a few sweep issues that have been identified by Board members in response to the second pre-ballot draft of the Exposure Draft of Proposed Amendments to IAS 27 *Consolidated and Separate Financial Statements*.

<u>Calculation of the gain or loss on disposal of a subsidiary</u>

The Board concluded that the gain or loss on disposal of a subsidiary should include cumulative gains and losses reflected in equity that relate to the subsidiary and that are 'recycled' on loss of control of that subsidiary. This decision achieves convergence with the FASB. Amounts relating to the subsidiary that are being 'recycled' should be disclosed separately.

<u>Recycling the non-controlling interest's portion of gains and loss reflected in equity</u>

The Board previously decided that on loss of control the non-controlling interest's share, if any, of the carrying amount of the net assets of the former subsidiary immediately before control is lost is derecognised with a corresponding derecognition of the carrying amount of non-controlling interests. No gain or loss is recognised on the derecognition of the non-controlling interest. Therefore, the portion of cumulative gains and losses attributed to and reflected in the non-controlling interest will not be recycled on loss of control.

The Board considered whether on loss of control these gains and losses attributed to the non-controlling interest should also be recycled. However, the Board decided to retain its previous decision.

ED 7 *Financial Instruments: Disclosures*

The Board continued its deliberations on issues raised by the comment letters responding to ED 7 *Financial Instruments: Disclosures*.

Insurance Issues

The Board decided to amend IFRS 4 to be consistent with the new IFRS arising from ED 7, with modifications that reflect the Board's temporary special treatment of insurance contracts in phase I of the Insurance project.

In particular, the Board decided to permit a choice of whether to provide quantitative sensitivity analysis disclosures *for insurance risk only*. This means that, for insurance risk, entities would be able to choose to provide:

- the terms and conditions disclosures together with a qualitative sensitivity analysis at present required by IFRS 4; or
- the quantitative sensitivity analysis proposed in ED 7.

Such a choice would be a temporary solution to be eliminated in phase II of the Insurance project.

The Board decided to consider at a future meeting whether additional relief should be given from ED 7's proposed requirement to provide a sensitivity analysis for *each type* of market risk for those contracts that combine insurance risk and market risk in such a way that the risks are difficult to separate.

Proxy for disclosure of changes in fair value attributable to a change in an instrument's credit risk

Paragraph 11 of ED 7 proposed to retain the disclosure at present required by paragraph 94(f)(i) of IAS 32 of the amount of change in the fair value of a financial liability designated as at fair value through profit or loss that is not attributable to changes in a benchmark interest rate. The Board noted that this disclosure is intended as a proxy for the amount of change in fair value that arises from changes in the credit risk of the liability. It also noted comments that, for some liabilities containing risks other than interest rate risk and credit risk, the disclosure is not a very good proxy.

The Board decided:

- to amend this proposal to require disclosure of the amount of change in fair value attributable to changes in the instrument's credit risk. To meet this requirement, an entity should use the amended proxy set out below unless the entity can demonstrate that an alternative method is a better approximation, in which case it should use that alternative and disclose the method it has used.
- to amend the proxy currently in paragraph 11(a) to be the amount of change in its fair value that is not attributable to changes in market risk.
- provide guidance that 'changes in market risk' includes changes in a benchmark interest rate, commodity price, foreign exchange rate or index of prices or rates, or, for contracts that include a unit-linking feature, the performance of an internal or external investment fund.
- to provide:
  - a reminder that paragraph 15(c) of IAS 1 requires an entity to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, and other events and conditions

on the entity's financial position and financial performance; and

    - guidance that if an entity considers that the disclosure it has given is not an adequate proxy for the change in fair value attributable to changes in the instrument's credit risk, the entity should disclose its reasons for reaching this conclusion, and discuss the effect of the factors it believes to be relevant.

- to include in the Basis for Conclusions the paragraphs related to this disclosure currently in the Basis for Conclusions on IAS 32, amended to reflect these decisions.

Day 1 profit disclosures

The Board noted that when there is no active market for a financial instrument, paragraph AG76 of IAS 39 specifies that the best evidence of the instrument's fair value on initial recognition is the transaction price. The only exception is if the fair value is evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose variables include only data from observable markets. Hence, a difference may arise on initial recognition between the amount recognised as fair value in accordance with IAS 39 (ie the transaction price), and the estimate of fair value arising from the entity's own valuation technique. The Board also noted that it has chosen not to give detailed guidance on how this difference should be recognised subsequently although it has been informed that various methods are being applied in practice.

The Board decided to require disclosure of:

- the difference between transaction prices at initial recognition (used as fair value in accordance with paragraph AG76 of IAS 39) and valuations made at initial recognition that result from a valuation technique whose variables do not include only data from observable markets.
- a reconciliation showing changes in the amount of this difference during the period.
- the entity's policy for determining when this difference is recognised in profit or loss.

The Board also decided to provide a numerical example to illustrate this disclosure.

Smaller Issues

In December, the Board decided that most of the many smaller issues raised in the comment letters on ED 7 would be considered initially by a small group of Board members, and the results of that discussion reported to the Board. The Board received such a report and agreed to the staff's proposed resolution of these smaller issues.

Management Commentary

The Board received a presentation on management commentary, a topic on its research agenda. The project is being developed by staff from standard-setters in New Zealand (lead), Canada, Germany and the United Kingdom. The Board noted the draft discussion paper being developed by the project team, which included proposals for a management commentary standard. The Board commended the project team on their output, and decided to publish the discussion paper for public comment when complete. The discussion paper would not include the Board's preliminary views, though it would include specific questions for comment.

Income Taxes – Short-term Convergence

Substantive enactment of tax law

At the January Board meeting, the Board decided that the effects of changes in tax law should be recognised when the law is substantively enacted. Substantive enactment occurs when any future steps in the enactment process will not change the outcome.

At this meeting the Board considered when that point occurs in the enactment process for various jurisdictions. The Board decided that substantive enactment occurs at the following points.

Country	Point of Substantive Enactment
United Kingdom	Substantive enactment occurs when the House of Commons passes a resolution under the Provisional Collection of Taxes Act.
Canada	Substantive enactment occurs as set out in EIC 111, ie, if there is a majority government, when detailed draft legislation has been tabled for first reading in Parliament. If there is a minority government, proposed amendments to the Income Tax Act would not normally be considered to be substantively enacted until the proposals have passed third reading in the House of Commons.
Australia	Substantive enactment occurs as set out in UIG 39, ie, when the Bill has been tabled in the Parliament and there is majority support for the passage of the Bill through both Houses of Parliament.
France	Substantive enactment occurs upon signature by the executive.
Germany	Substantive enactment occurs when the Bundestag and Bundesrat pass the legislation.
Japan	Substantive enactment occurs when the Diet passes the legislation.
United States	Substantive enactment occurs upon the signing of legislation by the President or upon a successful override vote by both houses of Congress.
South Africa	Substantive enactment occurs when the National Assembly passes the Money Bill.

The Board decided to include a description of the enactment process for these jurisdictions and the point of substantive enactment as guidance in the exposure draft of proposed amendments to IAS 12. The Board asked the FASB staff to ask the FASB to consider this proposal.

Uncertain Tax Positions

The Board was advised of the FASB deliberations on uncertain tax positions, ie tax positions asserted in a filed tax return that may be open to question by the tax authorities. The Board noted that the FASB expects to publish an Exposure Draft of an FASB Staff Position on this issue soon. The Board confirmed that this issue would be included in its forthcoming exposure draft of amendments to IAS 12.

Cash Flow Hedge Accounting of Forecast Intragroup Transactions

The Board discussed comments received on the Exposure Draft of Proposed Amendments to IAS 39 *Financial Instruments: Recognition and Measurement— Cash Flow Hedge Accounting of Forecast Intragroup Transactions* published in July 2004.

The Exposure Draft proposed to clarify that IAS 39 (as revised in 2003) requires, in consolidated financial statements, that the designated hedged item in a foreign currency cash flow hedge of a forecast transaction is a highly probable *external* transaction

The Board noted the concerns of some respondents that the Exposure Draft:

- did not conform to the functional currency framework of IAS 21,
- would permit entities to hedge the translation (or 'accounting') risk associated with the profit or loss of a foreign operation rather than an economic exposure, and
- did not reflect the common risk management practice of hedging the foreign currency risk on *intragroup* (rather than external) forecast transactions and therefore had significant practical implications. However, the Board noted that the Exposure Draft reflected the way that some other entities manage foreign currency risk in relation to a group presentation currency.

The Board decided to amend IAS 39 to permit, in consolidated financial statements, the designated hedged item in a foreign currency cash flow hedge of a forecast transaction to be an *intragroup* transaction provided that:

(a) the transaction is highly probable and meets all the other hedge accounting criteria (other than the requirement that it involves a party external to the group), and

(b) the hedged foreign currency transaction is denominated in a currency other than the functional currency of the entity entering into it and affects consolidated profit or loss.

The Board also decided to require that any gain or loss on the hedging instrument that is initially recognised in equity is reclassified into consolidated profit or loss in the same period or periods during which the hedged transaction affects consolidated profit or loss.

The Board noted that allowing a forecast intragroup transaction to be the hedged item in consolidated financial statements is consistent with IAS 21's functional currency framework. This framework recognises a functional currency exposure whenever a transaction (including a forecast transaction) is denominated in a currency different from the functional currency of the entity entering into the transaction. The Board noted that allowing a forecast transaction (intragroup or external) to be designated as the hedged item in consolidated financial statements would not be consistent with IAS 21's functional currency framework if the transaction is denominated in the functional currency of the entity entering into it. Accordingly, the Board decided that such transactions should not be permitted to be designated as hedged items.

The Board noted that these decisions would achieve substantially the same accounting effect as the proposals in the Exposure Draft, as long as there is a forecast intragroup transaction denominated in a functional currency that was different from the functional currency of the entity entering into the transaction.

As regards the effective date and transition, consistently with the Board's intention in December to provide transitional relief to constituents, the Board decided:

- the amendment will be effective for annual periods beginning on or after 1 January 2006, with earlier application encouraged.
- to allow intragroup forecast transactions to be a hedged item in consolidated financial statements for annual accounting periods beginning on or after 1 January 2005 from the date that IAS 39's designation requirements are satisfied.
- not to require existing users of IFRSs to restate comparative information to reflect either the new designation requirements or the new requirements for reclassifying into profit or loss hedging gains and losses initially recognised in equity.
- when, in an annual period beginning on or after 1 January 2005, an entity had designated external forecast transactions denominated in the same functional currency as the entity entering into the transaction in accordance with the proposals in the Exposure Draft, the entity would be allowed to continue hedge accounting until the amendment is applied. At that date, hedging relationships must be redesignated or hedge accounting must be discontinued. The Board noted that giving such transitional relief based on the proposals in an Exposure Draft is highly unusual. The Board decided that it was justified in this case because the Exposure Draft stated that it was a clarification of IAS 39 (revised 2003) and the effective date of IAS 39 (revised 2003) has already passed.

Fair Value Option

In April 2004, the Board published an Exposure Draft of proposed amendments to IAS 39's fair value option. In September it discussed the 116 comment letters received, when it noted that a large majority of respondents did not agree with the proposals in the Exposure Draft, including a majority of respondents in all categories except regulators. It also noted that reverting to the unrestricted fair value option in IAS 39 (as revised in March 2004) would not address the concerns of regulators, which were the reasons for issuing the Exposure Draft. Therefore, the Board asked the staff to explore whether there is an alternative solution that could be acceptable to all parties – the Board, regulators and other constituents.

Over the last two months the Board has discussed, and sought constituents' comments on, a preliminary first draft of a possible new approach. At this meeting, the Board considered a new version of the possible approach, redrafted in the light of constituents' comments. (The new version is included in the observer notes for this meeting, which are available at www.iasb.org/meetings/0502.asp)

The Board confirmed that this draft would be used as the basis for public round-table discussions with constituents, subject to a few minor changes.

The Board also confirmed the following details for the round-table discussions.

- They will take place in London on Wednesday 16 March.
- They will be open to the public.
- There will be three 2-hour sessions, one each for insurance, banking and other.

- The IASB will select constituents to be invited to attend, based on those who commented on the April 2004 ED or the proposed new approach posted on the Website in December. The Board will invite representative bodies where possible, so as to ensure the views of as many constituents as possible are represented.
- Participants will be asked to focus on the following questions:
  - Does the new proposal address all situations in practice in which entities are likely to want to use the fair value option? If not, why not, and what changes would you propose? Are there other examples that meet the proposed criteria and should be included in the application guidance?
  - Is the proposal operational? Does it provide effective guidance on when the option is available and, equally important, when it is not? If not, why not, and what changes would you propose?

Financial Guarantee Contracts and Credit Insurance

In January, the Board decided to permit two approaches for contracts within the scope of this project:

(a) the approach proposed in the Exposure Draft, or

(b) applying IFRS 4, but with a more rigorous liability adequacy test. In particular, in addition to meeting the minimum requirements specified in paragraph 16 of IFRS 4, the net liability recognised should not be less than the amount determined in accordance with IAS 37. This additional requirement would not apply to other types of insurance contracts.

At this meeting, the Board decided that issuers of such contracts could choose between those approaches on a contract-by-contract basis. The Board also discussed but did not reach conclusions on the following issues arising from the comment letters:

- cash flows from subrogation
- intragroup guarantees

The Board also considered the benefits and costs of proceeding with the conclusions reached in January. The Board will continue the discussion in March.

Conceptual Framework

At the October 2004 joint meeting of the IASB and FASB, the two Boards decided to add to their respective agendas a joint project to develop a common conceptual framework—a single framework that converges and improves upon the existing frameworks of the two Boards.

At its February meeting, the Board considered a draft project plan prepared by the staff. (For more details, refer to the Observer Notes on the IASB Website.) The Board agreed to that plan, with some modifications:

- Discussions on the reporting entity concept should be moved forward, because of links with related concepts such as objectives and elements.
- The plan should incorporate the research on measurement being conducted by the Canadian Accounting Standards Board.

The Board also decided that, for most phases of the project, the first step of its due process would be the publication of a discussion paper. However, in a few cases, this might not be necessary, for example, if a project phase entails refinements or clarifications of the existing framework rather than substantive changes. This would be assessed on a case-by-case basis.

Furthermore, the Board decided to form a working group for the project, to focus on issues at the strategic level, such as the interrelationships between various parts of the framework. In addition, one or more informal resource groups should be formed, when required, to assist the staff with more detailed issues.

IFRIC Matters

Referring to the February edition of IFRIC *Update*, Kevin Stevenson, IFRIC Chairman and IASB Director of Technical Activities, reported on matters before the IFRIC. He remarked the very significant effort expended by the IFRIC members in completing twelve final and proposed Interpretations over the past three months. He noted that Board members were reviewing the three proposed Interpretations on service concessions as part of the normal negative clearance approach for exposure drafts and that this process was scheduled to be completed on 22 February. He also noted that the Board would be receiving a draft Interpretation very shortly on whether embedded derivatives need to be reassessed over time. Also, an Interpretation on applying the restatement approach under IAS 29 *Financial Reporting in Hyperinflationary Economies* would be on the Board's March agenda for final voting, after the circulation of a pre-ballot draft.

Mr Stevenson also reported on a meeting held earlier that day, 17 February, between representatives of securities regulators (CESR-fin), FEE, EFRAG, accounting firms and the Board (Jan Engstrom, John Smith and himself). He commented that there had been a very constructive discussion of ways of handling interpretative issues, implementation guidance and education over the next few years as Europe moves to IFRSs. Mr Stevenson reported that the group had seen merit in setting up a forum that would identify issues that the IFRIC should consider taking on and other issues that might be resolved in other ways. The Chairman of EFRAG has been asked to develop a paper for further consideration by the participants at a meeting in six to eight weeks' time.

Meeting dates: 2005

The Board will next meet in public session on the following dates. Meetings take place in London, UK, unless otherwise noted.

14—18 March

18—22 April (joint with FASB)‡

16—20 May

20—24; 27 and 28† June

18—22 July

19—23 September

17—21 October (joint with FASB), Norwalk, Connecticut, USA

10 and 11†; 14—18 November

12—16 December

† Includes a meeting with the Standards Advisory Council

‡ Includes meetings with partner standard-setters