EFRAG

European Financial Reporting Advisory Group

ANNUAL REVIEW 2006

EFRAG OBJECTIVES

Pro-active input to IASB and IFRIC
Endorsement advice to the EU Commission
Stimulate, carry out and manage pro-active accounting activities in Europe
Advice on EU accounting legislation

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REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Göran Tidström
Chairman of the EFRAG Supervisory Board

Financial reporting in Europe underwent fundamental change last year when, for the first time, all listed companies had to present their consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the EU. It seems that the implementation of IFRS went far more smoothly than some had feared, as a result of a great deal of careful preparation by European companies. The successful implementation of IFRS demonstrates the ability of European business to adapt to the dramatic changes facing it, which range from new European environmental initiatives to the increasing globalisation of so many aspects of commercial activity including capital markets and financial reporting. The challenges from China, India and other developing countries require us to become more efficient in order to remain competitive not only in markets for goods and services but also in capital markets. It seems that good progress is being made through the increasing strength of the European Regulators (coordinating their enforcement efforts through CESR) and the increasing importance of the stock exchanges in London, Frankfurt, Euronext and OMX.

Financial reporting - EFRAG's area of interest - is attracting greater attention from European institutions such as the European Parliament, ECOFIN and the Commission. The European dimension has been highlighted by Commissioner McCreevy's many statements emphasizing the importance of global accounting standards and by his involvement in discussions on the convergence agenda between the US standard setter and the International Accounting Standards Board (IASB) and in the debate about eliminating the SEC requirement for Foreign Private Issuers in the US to reconcile their financial statements to US GAAP. In this regard it seems that - for the first time - there is a real prospect of success.

It is important to have strong technical input to the IASB from Europe.

I also note with interest and satisfaction that the Commission wishes to be involved in the issue of SME accounting, as EFRAG has spent much time and resource on this issue in the last few years. Reducing the burden for SMEs while at the same time obtaining improvements in reporting for users of SME financial statements is a major challenge.

The Working Arrangement between EFRAG and the Commission that was signed in March 2006 is operating well and being conducted in a very constructive atmosphere.

Increased funding for EFRAG is a key objective for the Supervisory Board and we were delighted that ECOFIN encouraged European stakeholders to support EFRAG when considering funding for the IASB. The funding contribution of EFRAG's member bodies has increased for 2007 and we aim for and expect greater funding in the years to come in order to ensure high-quality technical input from Europe to the IASB.

EFRAG has now been in existence for six years and we believe that developments in IFRS during that period and in the processes by which IFRS standards are developed show that it was absolutely right to establish a European body that could provide proactive input to the IASB, act as a focal point for coordinating the technical work in Europe, maintain in the long term the ability to orchestrate pro-active European thinking on accounting issues and encourage and assist the IASB to develop truly global and principle-based standards rather than converging on rule-based American standards.

I am concerned that the strength of the national standard setters is slowly declining as their roles diminish, because we need a strong technical environment in Europe to support implementation and to provide feedback to EFRAG and IASB. It might mean that there is an increasing need for EFRAG because it is essential for Europe to provide strong technical input to the IASB. Without this strong technical voice, it will be difficult to provide high quality, coordinated European input and win influence. This is essential if we are to encourage European business leaders not to distance themselves from IFRS financial reporting; something that will be a real danger if they consider IFRS to be theoretical, ivory tower thinking that is far removed from real life and from the needs of European users. It is therefore very important that we continue to increase the strength of EFRAG, and that means we must have more funding support.

I believe that the IASB and others recognise the very high quality of EFRAG's work and that the additional funding EFRAG requires is therefore justified. Our contributors receive value for money.

Finally I would like to express my appreciation for the hard work performed by the members of EFRAG TEG, the working groups, the advisory groups, the representatives on IASB advisory groups and, last but certainly not least, the EFRAG secretariat.

Göran Tidström
1 April 2007

ABOUT EFRAG

EFRAG – European Financial Reporting Advisory Group - was set up in 2001 to assist the European Commission in the endorsement of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). It is a private sector body established by European organisations prominent in European capital markets, known collectively as the 'Founding Fathers / Member Bodies' (see table 1 in the appendices).
EFRAG's role as technical advisor to the European Commission is formalised in a «Working Arrangement» which states that "EFRAG will provide advice to the Commission on all issues relating to the application of IFRS in the EU", in particular pro-active input to the IASB and endorsement advice.
The work of EFRAG is overseen by a Supervisory Board drawn from the Founding Father/Member Body organisations of EFRAG and chaired by Göran Tidström, partner in Price Waterhouse Coopers, Sweden. The European Commission is an observer at Supervisory Board meetings.

EFRAG operates through a Technical Expert Group (TEG), the 12 members of which are drawn from throughout the European Union and from a variety of backgrounds. They devote 30% to 50% of their time to EFRAG and in doing so attend meetings for three days each month. The chairman of TEG - Stig Enevoldsen, partner in Deloitte, Denmark - is full time. The chairman and all members of TEG and the working groups provide their time without charge to EFRAG. The chairmen of the French, German and UK standard setters are non-voting members of TEG. CESR, IASB and the Commission are invited to attend TEG meetings as observers. The list of members can be found in table 3 in the appendices.

EFRAG TEG provides input on all IASB and IFRIC Exposure Drafts and Draft Interpretations, Discussion Papers and other consultative documents.

EFRAG TEG operates independently and in a transparent manner based on a transparent and open due process. Its decisions are taken independently of the Supervisory Board and other interests. EFRAG TEG's meetings are open to the public and EFRAG seeks input on its draft comment letters and draft endorsement advice from organisations, companies and the public. Comment letters from the constituents are taken into account in arriving at EFRAG's conclusions. Draft EFRAG comment letters are published on the EFRAG website very early in the IASB's consultative process in order to obtain input and feedback and also to support debate in Europe.

Members of EFRAG TEG are appointed by the Supervisory Board, with the assistance of a Nominating Committee, following an open call for candidates. The Supervisory Board looks primarily to the qualifications of the candidates in terms of knowledge and experience but endeavours to ensure a broad geographical balance and a blend of experience from preparers, the accounting profession, users and academics. The membership of EFRAG TEG is structured so that no group or country has a majority and can determine EFRAG TEG's views, thereby ensuring that its conclusions are not unduly influenced by any interest group or constituency.

EFRAG maintains contacts with the European Commission directly and through the Commission's role as observer at all EFRAG meetings. EFRAG is an official observer at the Accounting Regulatory Committee (ARC) meetings and at the Commission's newly established Roundtable on the consistent application of IFRS in Europe.

EFRAG maintains contact with the IASB through:
- Regular meetings between the chairman of the IASB and the EFRAG TEG chairman
- IASB board members attending monthly EFRAG meetings as observers
- Giving input to the IASB/FASB convergence agenda in special public meetings organised by the IASB
- Representatives of EFRAG participating in IASB advisory groups as observers
- Participation in the annual world standard setters meeting organised by the IASB

EFRAG also meets the world's leading standard setters twice a year. In 2006 these meetings were attended by representatives from the standard setters of the UK, Australia, Canada, France, Germany, Hong Kong, Japan, New Zealand, the USA, together with the IASB, EFRAG and others as observers.

EFRAG also works closely with European national standard setters, meeting with them every three months for a full day to obtain their input on comment letters and endorsement advice.

In addition, EFRAG and the European national standard setters have agreed to work more closely together to stimulate, carry out and manage pro-active development activities designed to encourage debate in Europe and enhance the quality of Europe's input to the IASB. This is known as the Pro-active Accounting Activities in Europe (PAAinE). Projects are

in progress on the following issues (each project is led by one standard setter, in some cases jointly with EFRAG):

PROJECT	LED BY
The Conceptual Framework	France and EFRAG
Equity and Liabilities	Germany
Pensions	UK
Performance Reporting	Spain and EFRAG
Revenue Recognition	Germany and EFRAG

Each project is supported by a pan-European advisory group and also in most cases an advisory group from the relevant country.
The European input to the IASB/FASB convergence agenda is also part of the PAAinE activity.

EFRAG has also established working groups to provide it with expert advice on specialist areas, such as financial instruments, insurance, service concessions and SME accounting. Reports of the working groups' activities are set out in this Annual Review. The members of the working groups are appointed following a call for candidates on EFRAG's website with the aim of ensuring an appropriate professional and geographical balance.

EFRAG has established a User Panel as part of its due process in order to ensure broad input from users to EFRAG TEG.

EFRAG organises an annual Advisory Forum to discuss an accounting issue at a strategic level and to obtain input from as broad a cross-section of interested parties as possible.

EFRAG gives presentations at conferences, represented by the Chairman of EFRAG TEG, TEG members in their respective countries or by the staff.

EFRAG's offices in Brussels are staffed by a secretariat which provides technical support for EFRAG TEG and for EFRAG's contribution to the PAAinE activities. The current staff members are listed in table 6 in the appendices.

EFRAG is funded by Founding Father/Member Body organisations, supplemented by additional contributions from others. In 2006 the total funding was €1,075 million - all from Founding Fathers/Member Bodies - and in 2007 the funding is expected to increase to €1.8m consisting of €1.4m from Founding Fathers/Member Bodies and additional contributions from others of around €0.4m. In order to carry out the activities described above EFRAG is seeking to increase the funding to €3m in 2008. Financial highlights are set out on page 13.

REPORT OF THE CHAIRMAN OF THE EFRAG TECHNICAL EXPERT GROUP

Stig Enevoldsen
Chairman
of the EFRAG TEG

Implementation in 2005 and 2006

In 2006, consolidated financial statements complying with the IASB standards were issued by most of the 7000 – 8000 European listed companies. It was a big effort by all the interested parties - preparers, auditors, regulators and users - to carry out such a big improvement in European accounting. For the first time we have seen real harmonisation for listed companies and it is now easier to read financial statements from issuers from other EU countries. Some surveys have been carried out and a prudent evaluation is that the transition has been a lot better than feared. However there is still some way to go and at the same time efforts ought to be made to ensure that harmonisation is not lost through, for example, the development of national interpretations.

Now all the parties involved will have to learn to live with and to use the information, and it might require some time to adjust. One would normally expect a period of 3-4 years to see the real result of this enormous change, and therefore it is very important that the IASB does not impose another big change to accounting rules in 2009. The present change was a major step away from traditional understanding, and it is very important that the IASB keeps in line with those that use their standards and does not move too fast for them or in a direction that reduces the standards' acceptability. It is clear that IASB has a leadership role, but good leadership involves keeping one's constituents as supporters. As the saying goes «you should not allow the search for perfection get in the way of the good», and at times it feels like the IASB would probably achieve more if they moved at a slower pace that could be followed. EFRAG will use its best efforts to keep the IASB informed about the temperature in Europe so that Europe can continue to get the benefits from global standards. We will work hard to support the IASB, whilst at the same time being a good and frank friend to it.

Convergence Prospects

The IASB entered into the convergence roadmap with FASB, with support from the US SEC and the EU Commission. The objective of the roadmap agreement is to allow non US companies listed in the US to file their financial statements in accordance with IFRS without having to reconcile to US GAAP. This is part of the long term vision to get to one set of global standards accepted on all stock exchanges around the world. However the roadmap is very ambitious and demanding and, even though the IASB and FASB are trying very hard, it will be very difficult for them to meet the deadlines. It is also positive that it seems that the US SEC is more committed to the objective this time than when earlier attempts to get rid of the reconciliation were made. As a result, the prospects of success seem good, provided the politicians on both sides keep the momentum. We must also not forget that, although getting rid of the reconciliation will benefit 250 to 300 big companies in Europe that will not have to keep US GAAP books, the costs of the changes necessary in the short-term will fall disproportionately on the 8000 other European listed companies. However, in the long term, getting rid of the reconciliation should benefit everyone because a genuinely global set of standards ought to result in better and more comparable accounting information.

Again an important factor that standard setters will need to take into account is how much change can EU companies cope with in 5 years when they are also expected to cope with so many other additional requirements in other sections of their businesses.

Working Arrangement with the European Commission, Accounting Regulatory Committee (ARC), The Roundtable (RT) and Standards Advice Review Group (SARG)

EFRAG entered into a Working Arrangement with the EU Commission in March 2006 according to which "*EFRAG will provide advice to the Commission on all issues relating to the application of IFRS in the EU*", in particular pro-active input to the IASB and endorsement advice. Entering into the arrangement was an important step forward for EFRAG and it is working well because it has enhanced and improved the relationship with the Commission and has resulted in greater coordination on issues that are important for Europe.

As part of the arrangement it was agreed that a new Commission body, the Standards Advice Review Group (SARG), would be established to evaluate whether the endorsement advice from EFRAG is objective and well balanced. It is not the intention that SARG will re-debate the technical issues or challenge EFRAG's technical conclusions on any other grounds. SARG has now had its first meeting, and I was invited as EFRAG chairman to attend part of those meetings as an observer. EFRAG welcomes the SARG. We will cooperate fully and work constructively with the group, and will assist them as best we can. As part of this process, EFRAG TEG has already made changes to the format of its endorsement advice letters - by attaching a *Basis for Conclusions* - to make the work of SARG easier.

The Accounting Regulatory Committee (ARC) has met several times in 2006 and voted in favour of issued standards and interpretations from the IASB. In several of the meetings EFRAG has presented short briefings on the technical issues being discussed.

The EU Commission established in 2006 a temporary *Roundtable (RT)* to discuss implementation issues in Europe. The RT is not intended to be an interpretation body itself; instead, it will act as a filter to identify issues that need to be referred to IFRIC. After a slow start it now seems that the RT has settled into its role and is dealing with important issues for Europe. It is essential now that the IASB and IFRIC understand the valuable role that the RT is playing in highlighting the issues that are really problematic for Europe. If the RT refers an issue to IASB/IFRIC, that means there is significant support in Europe for the matter to be addressed. It would be odd for an organisation such as the IASB that relies heavily on the support of Europe, the biggest user of IFRS, to ignore a call that has widespread support within Europe for an amendment or interpretation in order to facilitate consistent application of IFRS in Europe.
EFRAG assists the EC in the preparation of RT agendas, in reviewing the technical issues to be considered at RT meetings, and in drawing up conclusions during the meetings. EFRAG intends to step up its involvement in the RT work and we have involved a senior staff member together with the chairman.

New Endorsement Process

During 2006 the IAS Regulation was changed so that the European Parliament gets more influence in the endorsement process. It is important that accounting standards that are in reality legislation are supported by the elected representatives of the European people, so that the standards have real legitimacy and democratic involvement. We welcome the new process even though it might take longer to get new standards endorsed, and even though the delay may cause problems for companies wishing to comply fully with the standards at the earliest opportunity. EFRAG stands ready to provide independent technical support to the Parliament if asked in addition to the support already provided to the Parliament by the Commission.

Pro-Active Activities in Europe (PAAinE)

The PAAinE activities are moving forward as expected when they were started some two years ago. PAAInE is a partnership of the European national standard setters and EFRAG that was set up with the objective of improving the input from Europe to the global standard setting process. The idea is to utilise the knowledge, understanding and limited resources available at EFRAG and at the European national standard setters in the most efficient way and a key objective is to stimulate, carry out and manage pro-active development activities that will encourage debate in Europe on accounting issues and enhance the quality of pro-active input to the IASB and maybe the FASB. A *Coordinators committee* was set up to manage the activities.

Five projects have been started and they are led by staff from one of the standard setters, in some cases jointly with EFRAG staff. The projects started are

- The Conceptual Framework – led by France and EFRAG
- Equity and Liabilities – led by Germany
- Pensions – led by the UK
- Performance Reporting – led jointly by Spain and EFRAG
- Revenue Recognition – led jointly by Germany and EFRAG

Work has been carried out on all projects during 2006, and it is very positive that the first two discussion papers (DP) were issued during 2006. In October the first paper ("Elements of the Framework Debate: Starting from the right place?") was issued and in November the second DP ("The Performance Reporting Debate: What (if anything) is wrong with the good old income statement?") was issued. The papers were posted on our website and on the websites of standard setters.

Work is continuing on *Performance Reporting* with the intention of issuing a second, much longer, discussion paper with proposals for discussion - the first paper was laying out the scene for the discussion.

The first DP on the *Framework* was meant to raise additional discussion points to those highlighted in the Framework DP issued by the IASB.

The *Pensions* project is moving forward very well and seems likely to come up with proposals that will provoke debate and discuss progressive but also controversial alternative ways to account for pension and other post-retirement costs.

The *Revenue Recognition* paper is now expected to be published in June 2007. It has been a long process to develop the paper, but the contents and the emphasis have changed dramatically during the paper's development so we think the time has been well spent. The paper is expected to create extensive debate in Europe and it will be valuable to have it issued before the IASB issues its own discussion paper because that will mean that the debate in Europe will have already started and European participants will be ready to give more informed input to the IASB. Hopefully we can organise Roundtable discussions in Europe to sound out views.

The project on the *Equity/Liabilities* distinction has proven to be very timely as a draft of the paper is to be presented to a joint meeting of the IASB and FASB boards whilst they are still working on consultative documents on the subject that are expected to be issued in the summer or autumn. The equity-liabilities distinction is of course fundamental to our accounting model, and the existing requirements in this area are proving very troublesome, particularly in Germany. The German chairman of the working groups that are driving the project has made a big effort to finalise a high quality draft paper to be presented to the IASB and FASB boards. Both the German Board and EFRAG have considered the proposals at several meetings and both support it being presented. It is possible that the IASB might decide to include the proposals in its DP, but even if it decides not to the draft paper will be developed into a PAAinE DP and published for discussion in Europe and consideration by the IASB.

Europe needs to find its place in the global accounting infrastructure

Papers based on the PAAinE projects on the Conceptual Framework, Pensions, Equity and Liabilities and Revenue Recognition were presented in March 2007 at a meeting of the standard setters from around the world, including the standard setters of Australia, Austria, Brazil, Canada, France, Germany, Hong Kong, Japan, Mexico, New Zealand, the UK, the USA and the IASB. There was a lot of interest in the projects and the idea of having a partnership of (former) standard setters to continue pro-active thinking to assist and challenge the thinking of the IASB. It also proved that working in partnership might be a way to maintain the ability to thought leadership and high quality feed back to the IASB.

It is always difficult to start a new idea up especially on a cross-border basis. It was the case with EFRAG and it is the case with PAAinE, but we believe the vision is right and the projects prove that.

PAAinE is about finding ways to maintain a high quality input from Europe into the global standard-setting process and about retaining Europe's thought leadership role on accounting issues at a time when the role of the European standard setters is changing. We need to work together in good faith to be able to participate effectively and to maintain the ability to develop our own ideas. Europe needs to find its place in the accounting standard setting architecture and I strongly believe that PAAinE can be an important part of that structure.
In 2006 the EFRAG secretariat allocated a considerable amount of staff resources to the various PAAinE projects that were involved in drafting papers, as well as organ-

ising and participating in meetings. Reports from the advisory groups supporting the individual PAAinE projects are provided later in this Annual Review.

Meeting with the European National Standard Setters

EFRAG invites all the European national standard setters to a full day meeting every three month in Brussels. The meetings have been taking place for most of the period EFRAG has been established. In the early years there were not many standard setters attending, but up to about 6 months ago the number of participants was increasing. However, over the last 6 months participation has started to decrease. Now we have a core group of representatives from 12 countries plus 3-4 countries on a more ad hoc basis. It is noticeably that two of the core group members are from Poland and from the very active Lithuanian standard setter. The attendance might be seen as satisfactory, but we believe that maintaining a strong network will facilitate the two-way communication on accounting issues that we believe is so important for Europe.

User Panel and User Involvement

EFRAG established a User Panel in 2006. Following a public call for nominations, we succeeded in getting many excellent candidates. The Panel met for the first time in January 2007. The first meeting was very good and gave good input to EFRAG, which is very promising for the future.

EFRAG has also appointed a new user representative to EFRAG TEG. He is an analyst and he certainly gives constructive input to our debates. We now also have the CFA-Institute as a member body (founding father), and their activities and strong network will help to provide additional valuable input to EFRAG's work. The Institute has for example an ability to perform quick and focused surveys of users which could help us in our work. We are currently considering how to best take advantage of this in our work.

Advisory Forum

EFRAG organised its third Advisory Forum in October to discuss accounting issues at a high level. At these events, the participants are expected to give input on technical/political level without having to study the issues in great detail. This Forum focused on Revenue Recognition, and a summary of the draft PAAinE paper on the topic was prepared as a basis for the discussion. The event was very successful, we received some good input, and the summary paper was well received. The meeting was well attended by participants from many European countries and the debate was lively and at times almost entertaining.

EFRAG issues an "Endorsement Status Report" on its website (www.efrag.org)

EFRAG also co-organised - with the French standard setter - a public meeting in Paris on the IASB Framework DP. IASB/FASB staff explained the subject and the planned time schedule and two European participants presented views on the subject. The meeting was again well attended and a lively discussion took place.

One of our long-term intentions is to increase this aspect of our work. We think it is useful as part of the two-way communication that needs to take place in Europe to explain issues and hear views. EFRAG is willing to participate in more discussions of this kind in the EU countries – perhaps in conjunction with the local national standard-setting bodies - and we are happy to provide papers and speakers for such events if we can be of help.

New Website

We introduced our new website in early February 2007. The main objective in revising the site had been to make it easier for our constituents to use, to extract information and documents and to upload their own comment letters. We have also enhanced the information about EFRAG and made it easier to find. The front page is easier to look at, and we have tried not to confuse visitors by having too many messages on it. On page 19 of this Annual Review we include a short guide on how to use the website, and you may see a few screen prints on the back cover.

Technical Work

There have been many significant projects on the agenda in 2006 and EFRAG has been very busy responding to IASB Exposure Drafts, Discussion Papers, IFRIC Draft Interpretations and giving endorsement advice on issued standards and interpretations. Some of the projects have been both complex and controversial, and we have had to stretch our staff to the limit to meet (or nearly meet) all the deadlines and to achieve the required high technical level.

Small- and Medium-sized Entities (SME) - Exposure Draft

One project that we have had focus on for a long time is the project to develop a specific standard for accounting for SMEs. We have had a working group giving EFRAG advice over the last 3 years and its conti-

REPORT OF THE CHAIRMAN OF THE EFRAG TECHNICAL EXPERT GROUP

Paul Ebling
Technical Director

nuity and consistent hard work has proven very valuable every time EFRAG has responded to requests from the IASB for input. We have developed some very constructive and robust proposals in our draft comment letter which is to be issued shortly. We have always believed that the project was very important to Europe and that is also why we have had a full time staff member on the project for years and now have more than one full staff resource involved. In addition, one TEG member - Françoise Flores - has devoted a lot of time to the project and has come up with pro-active thinking that is included in our draft comment letter. EFRAG strongly believes that the SME standard should be a fully stand-alone standard without having to use the very big full IAS book for SMEs. We also believe it is possible and beneficial to cut down the ED significantly in length without losing quality. Finally SME accounting requirements should be different from the standards for listed companies simply because we believe the users have different needs.

The IASB ED is issued at the same time as the Commission has started its own and wider SME simplification effort. We strongly support such an effort in order to strengthen the competitiveness of European SMEs. Having said that, we also believe that user needs are to be taken into account when considering such simplifications. We understand that it is a delicate balance to strike, but we believe – as a technical accounting body – that such a balance has to be struck. It is fortunate that the two proposals are considered at the same time, because it might help get wise conclusions on both.

IASB Framework Discussion Paper

Many Europeans have asked for a fundamental debate on accounting and the direction in which accounting is being taken by the IASB, and therefore we are pleased that the FASB/IASB has in 2006 spent considerable resources updating and reviewing the Framework. It is now important that the results of that work are subject to a proper and open due process because a Framework debate has not really taken place before on the European continent, whereas it has in North America, the UK and Australia. It is therefore important to the continued acceptance of the IASB in Europe that a thorough debate takes place and that the result is a shared vision of accounting.

The IASB and FASB have made a good start by issuing a discussion paper - rather than an exposure draft - on the objectives of financial reporting and the qualitative characteristics of financial information, but in many ways the jury is still out because there now needs to be a proper dialogue. Some Europeans are also a bit worried that there are signs from the discussion paper that there will be a big US influence on the revised Framework. This for instance can be seen from the omission of stewardship as a specific objective for financial reporting

EFRAG prepared a detailed draft comment letter and received feedback to further improve the final comment letter, and we are proud of the final letter which many have acknowledged to be thoughtful and of a very high quality.

Measurement

Measurement at initial recognition, Fair Value Discussion Paper and measurement in the Framework project

Various aspects of the measurement debate have taken up quite a bit of time during 2006. Early in 2006 we responded to the IASB DP on measurement at initial recognition «Measurement Bases for Financial Accounting – Measurement on Initial Recognition».

The discussion we had around the DP on initial measurement paved the way for our discussions on the IASB DP on what 'fair value' means and how it should be estimated (*Fair Value Measurements*, issued in November 2006). EFRAG has, after intensive consultation, including discussions with our Financial Instruments and Insurance Accounting Working Groups and several discussions at EFRAG meetings, posted our draft comment letter on our website. It is a very tough issue causing a lot of turbulence in Europe. For that reason EFRAG welcomes the IASB's decision to issue a DP rather than going straight to an Exposure Draft.

It is also not easy to comment on whether 'fair value' means 'market-based exit price' and on exactly how 'market-based exit price' is interpreted without knowing which items are to be measured at fair value, because it is only then that one can evaluate the assumptions underlying what is said to justify the definition and interpretation of fair value. It is of course difficult to decide when any particular measurement basis should be used until we have a detailed understanding of what it is that the financial statements are expected to portray, and that understanding is something that the IASB is looking to develop through the framework project. Therefore we welcome that the IASB has started the «measurement part» of the Framework debate which we believe to be of the utmost importance for the future of accounting.

We will participate fully in the discussions and will also try to facilitate discussions within Europe on the subject as we did on the two first chapters of the Framework.

Business Combinations
The IASB is continuing its deliberations on *Business Combinations* and we are monitoring it very closely. As we reported last year, our concern is that the IASB is trying to move the accounting significantly in a direction on which there seems to be little support within Europe at this point in time. The developments during 2006 look like continuing in the same direction as earlier, and we doubt whether it is wise to continue to pursue the proposed path as long as the fundamental debate on measurement is not finished. It would be a real pity if the IASB were to move the accounting frontier too far ahead of what is considered acceptable by its European constituents so soon after the successful first year of implementation of IFRS.

IAS 32 Amendment to the Equity/Liabilities Distinction
In 2006 the IASB issued an ED that proposed changes to the existing requirements on the classification of capital instruments into equity and liabilities. In issuing the proposals, the IASB was seeking to address some particular problems it thought existed with the distinction, but it started a debate in Europe and in Germany in particular about the problems that the existing requirements gave many German enterprises. Under those requirements, companies that currently appear to be well-capitalised would be shown as having little or no equity and would have liabilities equal in value to the market capitalisation of the company. It was also noted that the requirements in IAS 32 are not consistent with other parts of the IASB's literature. What was needed, Europe thought, was a fundamental rethink rather than yet another 'patch' on a standard that had already been patched several times. Therefore, as mentioned above a project led by the Germans under the PAAinE initiative was started to come up with an alternative conceptually-based approach to equity/liabilities classification that could improve the accounting.

IFRIC 12 Service Concession Arrangements

The issue of Service Concession Arrangements took up quite some of our resources during 2006 and the early part of 2007. We monitored closely the development of the decisions taken by IFRIC and we had several meetings and other discussions with those concerned about how the project was developing. In addition, EFRAG's working group on the subject met during the year and some of its members cooperated individually with the IFRIC staff on IFRIC's request.

The EFRAG Chairman was involved in several discussions on the issue - primarily with Spanish constituents - and the issue was raised in the quarterly meetings with Sir David Tweedie, chair of IASB. EFRAG invited IFRIC staff to present the almost final interpretation in our November meeting. Several EFRAG members participated in the public meeting organised by IASB in the week of publication and also gave detailed input to IFRIC staff and IASB the day after the meeting expressing concern with the quality of what subsequently became IFRIC 12. EFRAG discussed IFRIC 12 in its regular monthly meeting in December 2006 and January 2007 and also at an additional meeting arranged specifically to agree the draft endorsement advice letter. The views of the members developed during the discussions and as a result the position of some members changed during the process. The draft endorsement advice letter was finally issued as positive advice with a small majority.

EFRAG received around 60 comment letters to the draft endorsement advice letter and the comment letters and the advice were discussed in another specially arranged meeting in March, where EFRAG issued a positive endorsement advice with three members dissenting.
IFRIC 12 has been debated in the ARC, but the ARC has not been asked yet to vote on its endorsement. Our advice on IFRIC 12 has also been brought to the SARG for consideration.

Staff Situation

We have increased the staff during 2006, but there has also been some turnaround due to finalisation of secondment periods, maternity leave, hand picking of our staff etc.

Even though it always takes a little while to get up to speed, it is clear that we are well equipped to meet our challenges. We have more staff than before, but we also have more tasks to perform especially in connection with our participation in the PAAinE activities. With the increased tasks we are still looking for more qualified staff, and we have recently been fortunate to have quite a few applications. The present staff is listed in table 6 in the appendices.

EFRAG PUBLICATIONS AND ACTIVITIES 2006

EFRAG Publications 2006	Draft Comment Letter	Final Comment Letter	Draft Endorsement advice	Final endorsement advice
IFRSs				
Amendments to IAS 1 - Presentation of Financial Statements: Revised Presentation	**21-Apr**	**24-Jul**		
Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation			**12-Jan**	**13-Feb**
Amendments to IAS 23 - Borrowing Costs	**27-Jun**	**17-Nov**		
Amendments to IAS 32 and IAS 1 - Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation	**26-Jul**	**23-Oct**		
Amendments to IFRS 2 - Vesting Conditions and Cancellations	**1-Mar**	**23-Jun**		
IFRS 8 - Segment Reporting	**28-Feb**	**15-Jun**	**6-Dec**	16-Jan-07
IFRICs				
IFRIC 7 - Applying the Restatement Approach under IAS 29			9-Dec-05	**14-Jan**
IFRIC 8 - Scope of IFRS 2	1-Jun-05	18-Jul-05	**2-Feb**	**10-Mar**
IFRIC 9 - Reassessment of Embedded Derrivatives	6-May-05	21-Jun-05	**9-Mar**	**7-Apr**
IFRIC 10 - Interim Financial Reporting and Impairment	**30-Jan**	**10-Apr**	**1-Sep**	**20-Dec**
IFRIC 11 - Group and Treasury Share Transactions	1-Jun-05	18-Jul-05	**20-Dec**	18-Jan-07
IFRIC 12 - Service Concession Arrangements	22-Mar-05	24-May-05	12-Feb-07	23-Mar-07
IFRIC D19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	**18-Sep**	**24-Nov**		
IFRIC D20 - Customer Loyalty Programmes	**27-Sep**	**28-Nov**		
Other Publications				
Discussion Paper on Management Commentary	**8-Jan**	**4-May**		
Discussion Paper on Measurement Bases for Financial Accounting - Measurement on Initial Recognition	**9-Feb**	**20-Jul**		
Discussion Paper on the Conceptual Framework	**26-Sep**	17-Jan-07		
Draft Due Process Handbook for the IFRIC	**29-Jun**	**3-Oct**		
Publications without full due process				
IFRS for SMEs		**1-Feb**		
A comprehensive global debate on measurement		**23-Feb**		
PAAinE: European Discussion paper on elements of the Framework debate		**16-Nov**		
PAAinE: European Discussion paper on Performance Reporting		**28-Nov**		

Letters issued in 2006	
Draft comment letters	12
Final comment letters	11
Draft endorsement letters	6
Final endorsement letters	5
Discussion papers	2
Others	2
TOTAL	**38**

Activities		
Technical Meetings	TEG	11
	Standard Setters	5
	Working Groups	33
	Others	27
Speeches	Chairman	22
Other meetings	Chairman	62

FINANCIAL HIGHLIGHTS

EUROPEAN FINANCIAL REPORTING ADVISORY GROUP (EFRAG)
Abbreviated Financial Statements as of 31 December 2006

Income Statement	2006 '000 €	2005 '000 €
Members' Contributions	**1075**	**1050**
Personnel costs	-886	-909
Office costs	-114	-90
Meeting costs	-26	-40
Other costs	-117	-77
Operating Expenses	**-1143**	**-1116**
Operating Loss	**-68**	**-66**
Financial Result	-8	11
Net Loss	**-76**	**-55**

Balance Sheet	31 Dec. 2006 '000 €	31 Dec. 2005 '000 €
Total Fixed Assets	58	73
Total Current Assets	916	912
Total Assets	**975**	**985**
Accumulated surplus	714	790
Creditors	261	195
Total Liabilities	**975**	**985**

The financial highlights are based on statutory financial statements audited by Deloitte, Belgium.

REPORT FROM THE EFRAG WORKING GROUPS

Financial Instruments Working Group

The Financial Instrument Working Group has been established in order to provide specific input and assistance on accounting for financial instruments under IFRS. This year, Mike Ashley succeeded Thomas Naumann, who retired from EFRAG TEG, as chairman of the working group.

During the three meetings held in 2006, the working group discussed the component approach, measurement of core deposits, the reporting of changes in own credit risk, dis-aggregation of changes in fair value as well as the PAAinE project on equity/liabilities accounting. Furthermore, issues surrounding financial instruments puttable at fair value, the due process document the IASB/FASB are planning to issue on Financial Instruments at the end of 2007 and Fair Value Measurement were considered.

Insurance Accounting Working Group

The key objectives of the working group are to help EFRAG contribute pro-actively to the work of the IASB taking into account the European view, advise the EFRAG TEG members on insurance accounting and implementation issues on insurance matters.

The working group met seven times in 2006, closely shadowing the IASB and its Insurance Working Group working on the IASB discussion paper on insurance contracts, in order to provide input to EFRAG TEG on the proposed paper. The Group further discussed the Fair Value Measurement discussion paper issued by the IASB and provided EFRAG TEG with input that was considered in drafting the EFRAG draft comment letter on that topic.

Revenue Recognition Working Group

In 2006, EFRAG and the German standard setter (DRSC) agreed to allow the Revenue Recognition project that was started in 2004 to become a PAAinE project. While the objective of the project remains the issuance of a discussion paper in order to stimulate the European debate on revenue recognition before the IASB issues its own discussion paper, both parties believed that integrating the project into the EFRAG PAAinE activities would benefit the profile of the final paper, which is envisaged to be published in the first half of 2007.

As the paper being prepared is at a relatively advanced state, the working group, which acts as an advisory group, met only once in 2006. However, drafts of the paper were discussed with EFRAG TEG on several occasions. A near-final draft was also discussed during EFRAG's third Advisory Forum in October 2006, where the different models included in the draft discussion paper were presented and discussed.

Service Concessions Working Group

Despite the specialised nature of the subject, Concessions is seen by many as a priority for the Board's or IFRIC's attention because there is much activity in this field in many different countries, the activity and number of arrangements are growing and there are significant differences of view as to the appropriate accounting. Therefore, the Service Concessions Working Group was established to provide assistance to EFRAG TEG throughout the process.

The group met once formally in 2006 and was strongly encouraged to participate in the public meeting held by the IASB in November 2006 shortly after a nearly final draft of the interpretation was issued. Feedback was given on both occasions to EFRAG TEG.

The final interpretation on Service Concession Arrangements (IFRIC 12) was issued in November 2006 and EFRAG immediately started to consider its endorsement advice. It quickly became evident that EFRAG members held sharply divided views on the issue, although eventually EFRAG issued a draft letter recommending endorsement.

EFRAG summoned the working group in early 2007 for a last meeting in order to obtain its input as part of the finalisation process on EFRAG's endorsement advice.

SME Joint Working Group

In 2004, EFRAG initiated a Joint Working Group (JWG) with other European organisations interested in accounting for small- and medium-sized entities (SMEs) and a joint chairmanship between EFRAG and FEE was established. The group represents users, preparers, accountants, the EU Commission and national standard setters and aims to support EFRAG in deliberation on this highly important issue. Having different implementations of the 4th and 7th Accounting Directives, in addition to different national laws on that topic, it was of utmost importance to ensure that EFRAG is aware of the various views and practices established in the European Union.

Since January 2006, when the IASB discussed a very first draft of an exposure draft of an IFRS for SMEs, EFRAG and its Working Group have monitored the IASB's developments carefully in order to provide the IASB and its staff with input and insights. Many recommendations made by EFRAG and its Working Group were picked up by the IASB during the drafting process. The Working Group was also involved in the drafting of the EFRAG draft comment letter, which is envisaged to be published in mid-April 2007. The Joint Working Group met five times during 2006. Feedback on the meetings was given on different occasions to EFRAG TEG.

REPORT FROM THE PAAinE ADVISORY GROUPS

Performance Reporting Advisory Group

In March 2006, the IASB issued an exposure draft on reporting financial performance. This ED has been part of the first phase of the IASB's Performance Reporting Project, subsequently renamed into Financial Statements Presentation project. The purpose of this project is to present information in the individual financial statements (and among the financial statements) in ways that in the Board's view improve the ability of investors, creditors, and other financial statement users to understand and interpret financial information presented. It is expected that a discussion paper will be issued in the second half of 2007. This discussion paper is expected to discuss rather fundamental changes to the currently existing practice of presenting financial statements and reporting financial performance.

As part of the Pro-active Accounting Activities in Europe (PAAinE), it was envisaged by the Coordinators that a joint project between EFRAG staff and the staff of the Spanish standard setter should develop a discussion paper to stimulate the debate on the subject in Europe ahead of the publication of the IASB discussion paper.

It was concluded that due to the manifold issues and views held on the topic, it was advisable to split the project into two phases, both resulting in the publication of a discussion paper. The first paper attempts to set the scene for the debate by cataloguing the perceived advantages and weaknesses of the current system and presenting the different views held on the topic. The paper then summarised the underlying issues and asked for input from constituents on those issues.

The second paper will debate the identified issues in order to determine possible future directions of performance reporting. Issues being addressed evolve around the question of dis-aggregation, grouping and subtotalling of performance information.

The Performance Reporting Advisory Group was established in order to support EFRAG and the Spanish standard setter with insight and feedback, based on the advisory group members' different backgrounds and nationalities.

The Advisory Group met five times during 2006 in Brussels and Madrid. EFRAG TEG discussed the issue and was updated on the work of the advisory group three times. It also considered and approved the first discussion paper, which was issued in November 2006 with the name "The Performance Reporting Debate – What (if anything) is wrong with the good old income statement?". Comments were requested by March 31, 2007 so that they could be taken into account in the second paper. It is expected that the second paper will be published in the third quarter of 2007.

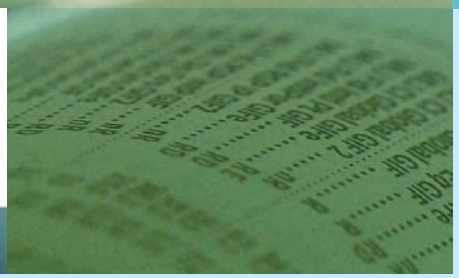
Pensions Advisory Group

The Pensions PAAinE initiative was set up in early 2005 with the purpose of reconsidering the fundamental principles of pension accounting with a view to contributing to the development of improved international standards on the subject. This project is being led by staff of the UK standard setter (UKASB).

The key objective of this initiative is to develop a discussion paper in time for the European community to familiarise itself with the issues at hand and stimulate a pan-European debate at an early stage, bearing in mind that the IASB is in the process of reviewing all aspects of post-employment benefit accounting.

The key questions of the projects revolve around how to accurately reflect the relationship and assets and liabilities created by post-employment benefits. It also tackles how to present movements in the value of plan assets and pensions liabilities in the performance statements of an entity. To assist in this research project, views are regularly sought from the ASB's Pensions Advisory Panel (which consists of UK actuaries, preparers and users).

In July 2006, the IASB added a project on post-employment benefits to its own agenda. That project has similar scope to the PAAinE project. With the IASB intending to



issue a discussion paper towards the end of 2007, EFRAG envisages issuing the PAAinE discussion paper in the course of 2007 to give Europe sufficient time to prepare for the debate the IASB paper will cause.

The EFRAG PAAinE working group met five times during 2006 in London, Lithuania, and Amsterdam. EFRAG TEG was briefed twice during 2006 on the technical developments in the project, and has also provided input on the tentative findings of the project.

Equity and Liabilities Advisory Group

The current IAS 32 distinction between equity and liabilities is largely based on the existence or otherwise of a contractual obligation: if there is such an obligation it is a liability, and if there is no such obligation, it is equity. This classification system has been proving problematical, particularly in certain legal environments, such as Germany.

The IASB and FASB have identified several anomalies with the existing system and, as a result, have decided to carry out a project on the subject. A discussion paper is expected to be issued towards the end of 2007.

With the various issues of IAS 32 in mind, a PAAinE project, led by staff of the German standard setter, was set up towards the end of 2005. The key issues that the project is exploring are:

- what is the underlying reason for differentiating between equity and liabilities;
- bearing in mind the instruments that are available nowadays, is the existing classification system the best way of differentiating between them; and
- if it is not, how can the classification system be improved.

In 2005, a pan-European Advisory Group was established – with members from various countries and perspectives - to provide advice on the issue. The Group met seven times in 2006. Frequent feedback on the project was provided to EFRAG TEG and to EFRAG's Consultative Forum of Standard Setters (CFSS).

Conceptual Framework Advisory Group

In October 2004, the IASB and FASB decided to add to their agendas a joint project to develop an improved and converged conceptual framework that is based on and builds on their existing framework documents. The intention is that this improved and converged framework should be both complete and internally consistent.

The two Boards have divided the project up into a number of phases. Several phases have been started and a discussion paper dealing with the first phase (relating to the objective of financial reporting and the qualitative characteristics of financial information) was issued in July 2006.

In order to try to ensure that Europe participates actively (and pro-actively) in the debate, it was decided that a PAAinE project on the subject would be undertaken and that the initial stages of the work would be led by staff of the French standard setter, the CNC. In order to help the CNC staff in its work, a pan-European Advisory group was set up, and that group met on a monthly basis in Paris in 2006. In November 2006 the first ever PAAinE paper ("Elements of the Framework Debate: The Conceptual Framework - Starting from the right place?") was published. Trying to get the fundamentals right in the debate, the paper focused on the following questions:

- What is the purpose of the framework?
- Who are the users of financial reporting and what are their information needs?
- To which entities should the framework apply?
- To which types of financial reporting should the framework apply?

After the publication of the first paper, work commenced on the second piece of work: a survey of users to explore some of the issues that the Advisory Group identified during the development of the first discussion paper. It is expected that this survey will be ready for mid-2007.

A JOB AT EFRAG

EFRAG is seeking to strengthen its project management team and is looking for dynamic accounting and/or standard setting professionals with good technical writing skills.

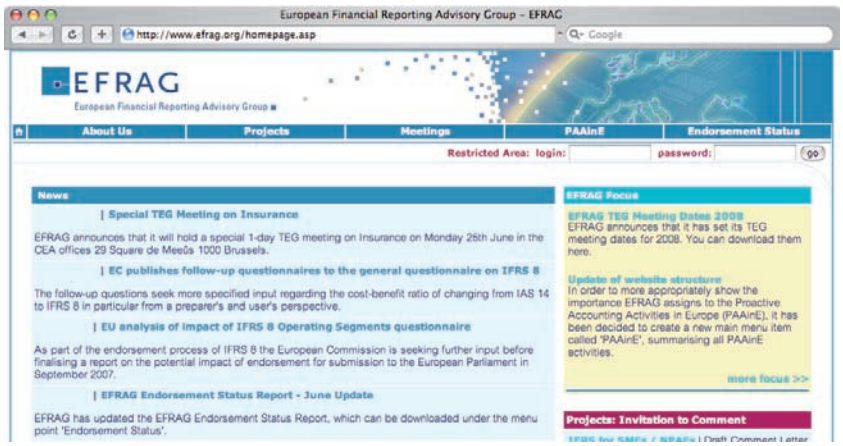
The Project Manager works with the Chairman, the Technical Director and the team of Project Managers in preparing papers for discussion by EFRAG's Technical Expert Group in responding to proposed IFRS and IFRIC interpretations. The Project Manager also helps prepare papers for discussion with EFRAG TEG in connection with possible future standards to be developed by the IASB.
The role involves both pro-active and reactive work in the development of International Financial Reporting Standards for use in Europe.

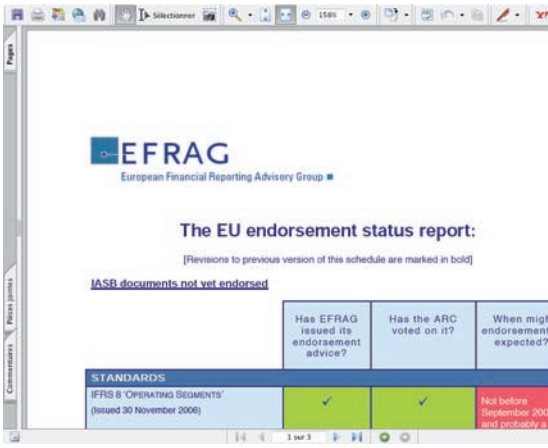
The successful candidate(s) will have a good knowledge of International Accounting Standards. They should ideally have experience of technical accounting work or standard setting in Europe and have a good understanding of relevant differences between accounting thinking in Europe and the thinking of the IASB/FASB. A good knowledge of English is essential. The salary level will reflect the particular experience and is comparable to manager level in accounting firms.

If you are interested in working for an advisory body with European reach in an international and friendly environment, please send your application to Stig Enevoldsen, Chairman of EFRAG, at stig@efrag.org with cc info@efrag.org. The e-mail subject should read 'Application – EFRAG Project Manager'.

EFRAG INFORMATION STORE

Where should you look for the latest update on a particular standard? What has recently been endorsed at European level? What is the outcome of the latest TEG meeting? You will learn it all and more from our two communication tools: www.efrag.org and EFRAG TEG Update





www.efrag.org

EFRAG revamped its website in early 2007. The new site will make it easier for all our visitors to access and download information in a user-friendly environment.
The improvements made include, among others:

- Improved structuring of the home page and menu system;
- Completely revised project overview and status views;
- Possibility to upload comment letters via the website directly, making it easier and more flexible;
- New meeting organisation area;
- A separate section devoted to the Endorsement Status Report.

Two of the major changes relate to the projects and meetings.

Projects
Projects are now sorted by type (e.g. IFRSs, Amendments to IASs, IFRICs etc.) and are further sorted by current and completed/past projects.
Projects can be selected either via the project type (selection in drop-down menu) or all projects can be shown by simply clicking on the projects tab, without making any sub-selection.
Each project is tracked from the «seed» to «published in official journal» stages and displays the EFRAG official and comment letters for each of the various stages.

Meetings
The meeting area now contains a calendar, showing the meetings of a month at a glance. Furthermore, future and past meetings can be selected via "upcoming meetings" or "meeting archive". Both menu points allow additional sub-selections for the most frequent meetings.

Access
As a visitor you will have access to the public information which includes:

- About us
- Projects
- Meetings calendar and public running orders (for both upcoming and archive meetings)
- EU endorsement status report
- Contact

The restricted area is reserved for our TEG and working/advisory group members.

A few tips
The small house icon and EFRAG logo take you back to the home page from any part of the website. This website is best viewed in resolution 1024 X 768 or higher.

Enjoy your visit!

Feedback is welcome on info@efrag.org.

EFRAG TEG Update

The EFRAG TEG Update is published a week or so after the TEG meeting and summarises the discussions held and decisions made. It is posted as a news item on our website's home page and e-mailed to all interested parties. Should you wish to receive a free copy and be included in our mailing list, you can send an e-mail to info@efrag.

APPENDICES

TABLE 1 – FOUNDING FATHERS / MEMBER BODIES	
BUSINESSEUROPE	European Business Federations
ERT	European Round Table
FEE	European Federation of Accountants
CEA	European Insurance Organisation
FBE	European Banking Federation
ESBG	European Savings Banks Group
EACB	European Association of Co-operative Banks
UEAPME	European Association of Craft Small- and Medium-sized Enterprises
EFAA	European Federation of Accountants and Auditors
CFAI	CFA Institute
EFFAS	European Federation of Financial Analysts Societies (non voting)

TABLE 2 - SUPERVISORY BOARD			
The members of the Supervisory Board are:			
Göran Tidström, Chairman	PWC Sweden	**Klaus-Günther Klein**	FEE
John Glen, Deputy Chairman	BUSINESSEUROPE/ERT	**David Lindsell**	FEE
David Devlin	FEE	**Patrice Marteau**	BUSINESSEUROPE
Chris De Noose	ESBG/WSBI	**Guido Ravoet**	FBE
Hervé Guider	EACB	**Peter Sampers**	BUSINESSEUROPE/ERT
Robin Jarvis	EFAA/UEAPME	**Jos Streppel**	CEA
Stefan Kirsten	BUSINESSEUROPE/ERT	**Hans van Damme**	FEE
The advisors of the Supervisory Board are:			
Jérôme Chauvin	BUSINESSEUROPE*	**Benoît Malpas**	CEA
Paul Chisnall	FBE	**Saskia Slomp**	FEE
Nicolas Jeanmart	ESBG/WSBI	**Jan Verhoeye**	EFAA/UEAPME
The EU Commission attends the meetings as an observer.			
Henri Olivier from FEE succeeded Wilfried Wilms in the role of SB Secretary at the end of 2006.			

TABLE 3 – TECHNICAL EXPERT GROUP		
VOTING MEMBERS in 2006[1]		
Stig Enevoldsen	Denmark	TEG Chairman – Auditor
Mike Ashley	UK	Auditor
Françoise Flores	France	Preparer
Manuel García-Ayuso	Spain	Academic
Catherine Guttmann	France	Auditor, Insurance Expert
Hans Leeuwerik	The Netherlands	Preparer
Roberto Monachino	Italy	Preparer, Banking Industry Expert
Thomas Seeberg	Germany	Preparer
Anna Sirocka	Poland	Auditor
Michael Starkie	UK	Preparer
Dominique Thouvenin	France	Auditor
Carsten Zielke	Germany	User
NON VOTING MEMBERS in 2006		
Antoine Bracchi	French Standard Setter - CNC	
Ian Mackintosh	UK Standard Setter - UKASB	
Harald Wiedmann	German Standard Setter - GASB	
OFFICIAL OBSERVERS		
The EC, CESR and IASB attend the meetings as official observers.		

[1] End of March 2007 Alan Dangerfield (preparer, Switzerland) and Hans Schoen (auditor, The Netherlands) replaced Hans Leeuwerik and Dominique Thouvenin.

TABLE 4 - EFRAG OBSERVERS OF IASB WORKING GROUPS	
Mike Ashley	Financial Instruments
Catherine Guttmann	Insurance
Dominique Thouvenin	Leasing
Andrew Lennard	Pensions
Françoise Flores	Performance Reporting
Gerhard Prachner	SME

TABLE 5 - WORKING and ADVISORY GROUPS MEMBERSHIP in 2006
USER PANEL
Stig Enevoldsen - TEG Chairman - User Panel Chairman; Jean-Baptiste Bellon - Financial Analyst (Trapeza Conseil); Javier de Frutos - CEO (Grupo BBVA); Jacques de Greling - Equity Analyst (CDC IXIS Securities); Jean d'Herbécourt - Insurance Coordinator (Société Générale); Thorsten Dicke-Wentrup - Advisor Controlling Department (Deutsche Sparkassen und - Giroverband); Rainer Husmann - Accounting Policy Department (Allianz Group); Sergio Lamonica - Consultant (LECG); Peter Malmqvist - Head of Equity Research (Nordnet Bank AB); Michael Schickling - Equity Analyst (EFFAS); Friedrich Spandl - Director (BAWAG); Alison Thomas - Director (PWC); Guy Weyns - Managing Director Global Valuation & Accounting (Morgan Stanley); Jed Wrigley - Director of International Accounting & Valuation (Fidelity Business Services India Private Limited); Carsten Zielke - TEG Member. In addition, the EU Commission and TEG members attend the meetings as observers.
FINANCIAL INSTRUMENTS WORKING GROUP
Mike Ashley - TEG Member Working Group Chairman; David Bradbery - Preparer (UBS Investment Bank); Isabelle Collignon - Preparer (Crédit Agricole SA); Yvonne Donkoff - Preparer (DZ Bank); Petri Hofste - Preparer (ABN AMRO); Gordon Ireland - Auditor (PWC); Ingvar Linse - Preparer (Swedbank); Roberto Monachino - TEG Member; Massimo Romano - Preparer (Assicurazioni Generali); Hugh Shields - Preparer (Barclays Capital); Agnes Tardos - Auditor (PWC). In addition the EU Commission, CESR and CEBS attend the meetings as observers.
INSURANCE ACCOUNTING WORKING GROUP
Benoît Jaspar - Working Group Chairman - Preparer (Assicurazioni Generali); Bernard Bolle-Reddat - Preparer (BNP-Paribas); Hugh Francis - Preparer (AVIVA); Catherine Guttmann - TEG Member; Joachim Kölschbach - Auditor (KPMG); Jacques Le Douit - Preparer (AXA); Nigel Masters - Preparer (Zurich Financial Services); Ruurd Van den Berg - Preparer (AEGON); Carsten Zielke - TEG Member. In addition the EU Commission, CESR, CEIOPS and the CEA attend the meetings as observers. ICISA, ACME and the Reinsurance industry are associate members of the working group.
REVENUE RECOGNITION WORKING GROUP
Stig Enevoldsen - TEG Chairman; Dominique Bonsergent - Preparer (Total SA); Jérôme Chevy - French Standard Setter (CNC); Sven Hayn - Auditor (Ernst & Young); Sonja Kierzek - Academic (Universität Mannheim); Mareike Kühne - German Standard Setter (GASB); Andrew Lennard - UK Standard Setter (UKASB); Martin Noordzij - Preparer (DASB); Jens Wüstemann - Academic (Universität Mannheim); Sigvard Heurlin (EFRAG).
SERVICE CONCESSIONS WORKING GROUP
Hans Leeuwerik - TEG member Working Group Chairman; Jan Backhuijs - Dutch Standard Setter (DASB); Hans-Kurt Bergheimer - Preparer (Bilfinger and Berger); Gérard Duhamel - Preparer (FIEC); Jesus Herranz - Preparer (Seopan/Ferrovial); Jorge Herreros - Auditor (KPMG); Philippe Hubert - Preparer (Veolia); Jean-Louis Lebrun - Auditor (Mazars); Jean-Pierre Mounier - Preparer (Vinci); Antoni Reczek - Auditor (PWC); Philippe Surjous - Preparer (Veolia). In addition the German and UK ASBs attended the meetings as observers.
JOINT WORKING GROUP ON IFRS FOR SMALL - AND MEDIUM-SIZED ENTITIES
Françoise Flores - TEG Member Co-Chairwoman SME WG; Hans van Damme - Co-Chairman SME Working Group - Auditor (FEE); Dirk Bolte - User (Prüfungsstelle des Hanseatischen Sparkassen - und Giroverbandes); Jean-Pierre Boucquet - User (Dexia); José Maria Bové - Auditor (Bové Montero y Cia); John Bowen-Walsh - Auditor (ICAI); Carl-Gustaf Burén - Preparer (Svenkst Näringsliv); Jérôme Chevy - French Standard Setter (CNC); Christine Darville –Preparer (FEB/BVO); Annette Davis - EC; Sarah de Greef - Preparer (FEB/BVO); Dirk Dekker - Preparer (SHV Holdings); Rudolf Faltermeier - User (ESBG); Isabelle Ferrand - Preparer (CNCM); Cornelia Flury - Auditor (IDW); Folker Franz - Preparer (BUSINESSEUROPE); Christoph Frank - Auditor (ZDH); Henri Giot - Auditor (OEC); Franz Gross - Preparer (Österreichischer Genossenschaftsverband); Signe Haakanes - Auditor (Den norske Revisorforening); Jorge Herreros - Auditor (KPMG); Robin Jarvis - SB Member - Auditor (ACCA); Felix Mayrhofer - User (Sparkassen-Prüfungsverband); Jens Poll - Auditor (Dres Brönner Treuhand-Revision); Gerhard Prachner - Auditor (PWC); Silvia Prasse - Preparer (BDI); Antonio Pulido Alvarez - Academic (Universidad Carlos III); Päivi Räty - Preparer (CFIE); Simon Recker - User (ESBG); Marce Roy - User (EACB); Isobel Sharp - Auditor (Deloitte); Saskia Slomp (FEE); Hugo Van Den Ende - Auditor (PWC); Willem Van Leeuwen - Preparer (SHV Holding); Catherine Ameye (FEE); Chiara Pisano (FEE).

PAAinE PERFORMANCE REPORTING ADVISORY GROUP
Françoise Flores - TEG Member Working Group Chairwoman; Janina Bogajewskaja - German Standard Setter (GASB); Michele Casó - Academic (Università Bocconi); Nadia Chebotareva - Auditor (Deloitte); Alan Dangerfield - Preparer (Roche Group); Helena Isidro - Academic (ISCTE); Andrew Lennard - UK Standard Setter (UKASB); Karolien Melody - Preparer (Aegon); Walter Schuster - Academic (Stockholm School of Economics); Milos Tumpach - Academic (University of Economics Bratislava); Jose Luis Ucieda - Academic (University of Madrid); Wolfgang Weber - Banker (Deutsche Bank AB); Peter Westlake - User (UKASB); Gilles Zancanaro - Preparer (Bouygues Corporate). In addition the EU Commission attends the meetings as an observer.
PAAinE PENSIONS ADVISORY GROUP
Andrew Lennard - Working Group Chairman - UK Standard Setter (UKASB); Luis Bautista Jiménez - Spanish DG of Insurance and Pension Funds; Laima Kazlauskiene - Lithuanian Standard Setter (IARL); Finn Kinserdal - Auditor (E & Y) Christoph Krischanitz - Consultant (Arithmetica Versicherungs und Finanzmathematische Beratungs-GmbH); Ugo Marinelli - Academic (OIC and EFRAG); Raimund Rhiel - Consultant (MERCER Human Resource Consulting GmbH); Philip Staines - French Standard Setter (CNC); Guus van Eimeren - Auditor (KPMG). In addition the EU Commission attends the meetings as an observer.
PAAinE EQUITY/LIABILITIES ADVISORY GROUP
Andreas Barckow - Working Group Chairman - Auditor (Deloitte); Marie-Pierre Calmel - French Standard Setter (CNC); Beatriz González - Spanish Standard Setter (ICAC); Helga Kampmann - Academic (Humboldt-Universität); Liesel Knorr - German Standard Setter (GASB); Hans Leeuwerik - TEG Member; Simon Peerless - UK Standard Setter (UKASB); Antoni Reczek - Auditor (PWC); Martin Schmidt - German Standard Setter (GASB); Elisabetta Stegher - Preparer (Banca Lombarda). In addition the EU Commission attends the meetings as an observer.
PAAinE CONCEPTUAL FRAMEWORK ADVISORY GROUP
Bernard Colasse - Working Group Chairman - Academic (Université Paris Dauphine); Dominique Bonsergent - Preparer (Total SA); Antoine Bracchi - non-voting TEG Member - French Standard Setter (CNC); Ole Michaël Friis - Academic (University of Southern Denmark); Rolf Uwe Fülbier – Academic (WHU - Otto Beisheim School of Management); Alicja Jaruga - Academic (University of Lodz); Steinar Sars Kvifte - Auditor (Norwegian Financial Reporting Group); Aurelija Lauruseviciute - Lithuanian Standard Setter (IARL); David Loweth – UK Standard Setter (UKASB); Ugo Marinelli - Academic (OIC and EFRAG); Enrique Villanueva - Academic (Universidad Complutense de Madrid). In addition the EU Commission attends the meetings as an observer.

TABLE 6 - SECRETARIAT (as of 1 April 2007)	
Stig Enevoldsen	EFRAG Chairman and CEO
Paul Ebling	Technical Director
Sigvard Heurlin	Senior Project Manager (part-time)
Isabel Batista	Project Manager
Svetlana Boysen	Project Manager (maternity leave)
Nico Deprez	Project Manager (part-time)
Greg Hodgkiss	Project Manager (part-time)
Sven Morich	Project Manager
Charlotte Norre	Project Manager (part-time)
Thomas Oversberg	Project Manager
Nasreen Vadachia	Project Manager
Nathalie Saintmard	Office Administration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European Financial Reporting Advisory Group

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