



European Financial Reporting Advisory Group ■

ANNUAL REVIEW 2007

EFRAG OBJECTIVES

Pro-active input to IASB and IFRIC
Endorsement advice to the European Commission
Pro-active accounting activities in Europe
Advice on EU accounting legislation

With the encouragement of the European Commission, EFRAG was created by organisations representing preparers, users and accountancy professionals involved in the financial process.

Through the provision of the required technical expertise it has fulfilled the important role of advising the European Commission of its views on IFRS.
[EFRAG-EC Working Arrangement]

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REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD



Göran Tidström
Chairman of the EFRAG
Supervisory Board

The year 2007 included a greater focus on global warming, the sub-prime crisis in the US affecting other parts of the world and continued growth in the economic strength of China and India and other countries outside Europe and the USA. These developments and many others reflect the increased globalisation of the world affecting the capital markets and also financial reporting – EFRAG’s area of interest.

Significant events occurred in 2007 for financial reporting in Europe. Early in the year there was increasing criticism of the IASB and of International financial Reporting Standards from within the EU. The main concerns were the lack of democratic involvement and insufficient European influence; a concern that was also expressed in the draft Radwan report from the EU Parliament (EP). The concerns raised again and again in relation to the IASB standards were their complexity and the speed of issuance of new and changed standards.

In the spring of 2007 the US SEC issued its proposal to remove the requirement for foreign private issuers in the US to reconcile from IFRS to US GAAP. One effect of that proposal has been to shift the focus of the debate within Europe to the level of influence Europe can reasonably expect in the future accounting architecture if and when the US accepts IFRS and will increase its focus even more on the IASB’s work.

In November the US SEC announced that it would remove the reconciliation requirement. One might say that it was a grand day, because removal of the requirement has been a long-term European objective and it confirms that the decision taken back in 2001/2002 by the European Commission (EC), the EP and the European governments to require all EU listed companies to comply with IFRS in their consolidated financial statements was a wise and bold one without which IFRS never could have reached its present level of global acceptance. The removal of the reconciliation requirement was the first step by the US to acknowledge

the development of a single set of high quality global accounting standards and the US should be encouraged to continue to move forward towards one set of global accounting standards for listed companies including the adoption in the US itself. It has been encouraging to see that it is exactly the view being taken by many in the US right now.

China and India are also moving rapidly towards IFRS. This serves to remind us how important it is that the IASB exercises its leadership role in a way that emphasises that it is the standard setter for the entire world and accordingly needs to consider issues from a global perspective and all parts of the world.

I mentioned earlier that the debate within Europe is now focusing on the level of influence Europe can reasonably expect to exercise over global standard setting. The Radwan Report makes a similar point, emphasising the need for a strong European focal point on financial reporting to support the IASB in its work and to contribute at a level equal to the US. We agree. A strong European voice is needed to help the IASB understand the European environment and the ways of doing business.

In relation to technical financial reporting matters, the EFRAG Technical Expert Group is already recognised as the focal point and coordinator of pan-European activities. For example, EFRAG already consults on a pan-European basis all its work, it works closely with the European National Standard Setters and other bodies in Europe, and almost three years ago it initiated the Proactive Accounting Activities in Europe (the PAAinE), an initiative through which the standard setters and EFRAG together work to stimulate and enhance debate in Europe on accounting issues. The results of the PAAinE work to date have been impressive, with six discussion papers now issued.

Furthermore, in order to facilitate the endorsement process EFRAG agreed with the EC in 2007 to carry out effect

studies, including an open due process of the effects of newly issued standards and interpretations.

EFRAG has since its formation in 2001 gradually built up and enhanced its organisation and processes in order to meet the expectations and requirements with the IFRS moving towards being the accepted global accounting language. EFRAG is again working on to further enhance and improve its resources and processes. Further coordination with the national standard setters will be promoted in order to more efficiently use the collective resources, technical competence and expertise in Europe. EFRAG is currently also working closely with the EC to ensure that EFRAG applies the highest standards of governance and in the transparency and quality of its processes. In particular, the EFRAG Supervisory Board has for some time been considering how to make the Supervisory Board’s own work more open and transparent, and proposals will be put forward very soon.

The Supervisory Board worked hard over the course of 2007 to ensure increased funding for EFRAG’s work, and I am happy to say that we succeeded in receiving a satisfactory level of voluntary contributions for 2007, enabling the secretariat to be strengthened with additional staff. As it is taking time to recruit staff with the necessary experience and expertise, we have a larger surplus than expected, but since it is our plan to strengthen the secretariat further, the level of funding must increase. In my view the very high quality of the EFRAG technical work means that our contributors obtain very good 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 supporting the proactive work, the representatives on the IASB’s advisory groups and last, but certainly not least, the EFRAG secretariat.

Göran Tidström
1 April 2008

ABOUT EFRAG

With the encouragement of the European Commission, EFRAG – the European Financial Reporting Advisory Group – was established in 2001 to provide the European Commission with technical expertise and advice on the technical quality 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).

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 organisation of EFRAG and is currently chaired by Göran Tidström, chairman of PriceWaterhouseCoopers, Sweden. The European Commission is an observer at Supervisory Board meetings (see Table 2).

EFRAG operates through a Technical Expert Group (TEG). Its 12 members are drawn from throughout Europe and from a variety of backgrounds and devote 30% to 50% of their time – free of charge – to EFRAG. The Chairman, Stig Enevoldsen, partner in Deloitte, Denmark is full time. The main focus of activity is the monthly three-day EFRAG TEG meeting. The Chairs of the French, German and UK standard-setters are non-voting members of TEG. Further, The Committee of European Securities Regulators (CESR), the In-

ternational Accounting Standards Board (IASB) and the European Commission attend TEG meetings as observers (see Table 3).

The 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 knowledge and experience of candidates but endeavours to ensure a broad geographical balance and a blend of experience from preparers, the accounting profession, users of financial statements 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 independent and not unduly influenced by any interest group or constituency.

Members of TEG must not consider themselves as representing sectoral and/or national interests but should be guided by the need to act in the European interest. As EFRAG provides input on all IASB and IFRIC Exposure Drafts and Draft Interpretations, Discussion Papers and other consultative documents, EFRAG has established an open and transparent due process, which allows and encourages European constituents to provide input for consideration of EFRAG. The transparency and independence of EFRAG TEG is mainly achieved by:

- having all technical discussions held in meetings open to the public;
- publication of TEG agendas and summary minutes of its meetings;
- publication, with an open call for comments, of draft EFRAG comment letters to the IASB and draft endorsement advice letters to the

European Commission;

- presentation of the basis for EFRAG TEG’s conclusions for the endorsement advice and reasoned positions for comments sent to the IASB;
- publication of the draft and final effect studies work completed by EFRAG;
- publication of final comment letters on IASB consultation documents, and other EFRAG positions; and
- publication of final endorsement advice letters and final effect study reports to the European Commission.

In addition, comment letters received are considered by EFRAG TEG and published on the EFRAG website.

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.



I joined EFRAG in July 2006 as a project manager for a two-year secondment from PriceWaterhouseCoopers

Germany. Discovering a new country and joining a multinational team has been a challenge; but one that has also given me immense pleasure and personal satisfaction. EFRAG offers me the opportunity to work in a professional environment, together with other project managers, TEG members, working groups and constituents from countries within and outside of Europe. This not only sharpens my technical knowledge but also enhances my inter-personal and social skills and assists me in a better understanding of the various European perspectives on accounting related issues.

**Sven Morich,
EFRAG Project Manager**

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) and at the Commission's Roundtable on the consistent application of IFRS in Europe. EFRAG is invited to attend some parts of the Standards Advice Review Group (SARG) meetings.

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 working groups as observers (see Table 5);
- 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 the Global Standard-Setters meeting.

An important objective for EFRAG has always been the provision of pro-active input to IASB consultative documents. By publishing draft comment letters early, EFRAG intends to stimulate debate on the issues for comment and to assist other bodies in Europe preparing comment letters to the IASB.

EFRAG has established working groups to provide it with expert advice on specialist areas, such as financial instruments, insurance, service concessions, SMEs and joint venture accounting. Reports of the working groups' activities are set out in this An-



nual Review. The members of the working groups are appointed following a public call for candidates on EFRAG's website with the aim of ensuring an appropriate professional and geographical balance.

It is also important to stimulate, carry out and manage pro-active discussions on accounting issues even before the IASB issues its position in draft standards / interpretations or discussion papers. Therefore, EFRAG and the European national standard-setters agreed in 2005 to work more closely together to this end in the Pro-Active Accounting Activities in Europe (PAAinE) initiative to encourage debate in Europe and enhance the quality of Europe's input to the IASB.

The following PAAinE projects were worked on in 2007 (each project is led by one standard-setter, in some cases jointly with EFRAG):

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

Each project is supported by a pan-European advisory group and also in most cases an advisory group from the relevant country.

In 2006, EFRAG established a User Panel as part of its due process in order to ensure that broad input to EFRAG TEG is obtained from users, to assist in assessing the effect of the standards and interpretations as seen by the analyst community.

EFRAG gives presentations at conferences, represented by the Chairman of EFRAG TEG, TEG members in their respective countries or by EFRAG 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 is listed in Table 4.

EFRAG is funded by the Founding Fathers/Member body organisations supplemented by additional voluntary contributions from others. In 2007 the total funding was € 1.6 million with € 1.3 million from the Founding Fathers and € 0.3 million from voluntary contributions.

Funding is expected to increase considerably in 2008 to around € 2.5 million. Financial highlights are set on page 15.

REPORT OF THE CHAIRMAN OF THE EFRAG TECHNICAL EXPERT GROUP



Stig Enevoldsen
Chairman
of the EFRAG TEG

Removal of the requirement for foreign private issuers listed in the US to reconcile from IFRS to US GAAP has long been wished for by European companies complying with IAS/IFRS. It was therefore good news when the US SEC issued its proposal to remove the reconciliation and also to issue a "Concept Release" discussion paper on whether to allow US companies an option to comply with IFRS. It was even better news when the SEC decided to remove the reconciliation requirement and to do so in time for 2007 financial statements. This seemed to confirm the widely held view that the SEC has become more supportive of a move to principle based standards.

Another positive movement has been the subsequent debate in the US on whether to go fully to IFRS. Some are talking about a changeover as early as 2013, but let us be cautious and remember how long time it took in Europe and how much resistance there was to the change. Nevertheless, the mere fact that the US is debating whether to move to IFRS is a positive sign and it confirms that the decision taken back in 2001/2002 by the EC, the EP and the European governments to require all EU listed companies to comply with IFRS in their consolidated financial statements was a wise and bold one. We should all encourage the US to join the movement towards one global set of accounting standards as such a move will benefit all participants in all capital markets around the world.

The potential transition to IFRS by US companies and closer US involvement in the development of IFRS will require us in Europe

to consider what this will mean for the global financial reporting architecture. Europe has been very successful in encouraging the IASB Foundation and the IASB Board to improve its governance and its procedures. We should maintain our support for the IASCF and should encourage the IASB to continue to improve. We need also to ensure the IASB will be a genuinely global standard-setter and not be taken over by the US in one way or the other. Having said that we will also need to find a way to accept that the IASB is setting standards for the world as a whole and that Europe, although a major constituency, can have only a proportionate influence on the IASB.

When a private sector body acts as a de facto legislator it is necessary to put in place some safeguards or sensible checks and balances and the European endorsement system is one such safeguard. We expect the US also to put in place its own safeguard; after all, the SEC has a statutory responsibility to safeguard the US capital markets and to ensure that appropriate accounting standards are applied by issuers. For example, the SEC is already rumoured to be influential with the IASB, while FASB and its staff have a major influence on IASB projects.

This makes it even more important for Europe to consider how best to structure its input to the IASB and the safeguards that need to be applied. Recently there has been a debate as to how Europe should organise itself at the various levels

when dealing with the IASB. On the technical level it seems natural to use EFRAG as the interface with the IASB, because we are a pan-European body that is already serving Europe on accounting technical issues working closely with the European National Standard-Setters and with those who are interested in participating at a European level. But Europe needs to be well organised on all levels.

In this new environment, with more and more countries and regions adopting IFRS, it is very important that the IASB exercises its leadership role wisely by issuing standards only with content and at a speed that is acceptable to its constituents. EFRAG will keep the IASB informed about European views on these issues.

We will work with the IASB in a constructive manner by providing

European input that challenges the IASB and that supports them in their thinking.

The convergence prospects

The convergence roadmap entered into by the IASB and FASB and supported by the US SEC and the EC has moved slowly, with the short term projects in particu-

lar proving more difficult than expected, the Business Combination standards issued being different, and some other long-term convergence projects—such as revenue recognition and financial statement presentation—moving very slowly indeed.

It appears that the IASB and FASB have had difficulty in agreeing on the approach to be taken in long

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term projects and in getting the short term projects finished. This raises questions about the two Boards' ability to move the convergence agenda forward at the pace they had intended. At the same time one might ask what convergence will mean if the US goes to IFRS because, for listed companies there would no longer be US standards to converge with. We hope one advantage would be that the IASB

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would be able to develop the best possible standards for the world as a whole. We certainly would not support the IASB adopting a very detailed and rule-based standard setting practice as has become the case with US GAAP.

Working Arrangement with the European Commission

The working arrangement with the EC that was entered into in March 2006 - under which "EFRAG will provide advice to the Commission on all issues relation to the application of IFRS in the EU", in particular pro-active input to the IASB and endorsement advice - has worked very well in 2007 and EFRAG and the EC has worked even closer together than before.

In particular, EFRAG has provided additional support to the EC by working closely with it on effect studies in relation to final standards and interpretations issued by IASB. Adding effect study work to our endorsement advice has increased our work load and it has required a good deal of effort to get the new process up and running. However, we hope that we have jointly found the appropriate basis for providing input to the EU endorsement process.

Accounting Regulatory Committee

EFRAG attended all the meetings of the ARC in 2007 as an observer, and we have given technical presentations when asked by the EC to do so. EFRAG appreciates this opportunity to work with the ARC.

European Round Table

EFRAG participated in the meetings of the European Round Table on the consistent application of IFRS in 2007. The Roundtable was always meant to be a temporary feature to ensure that European concerns had a forum in which they could be discussed and it worked in that respect. However the fact that the number of issues being

referred to the IASB interpretation body, IFRIC, has been reducing, and also that European companies and auditors are now more used to working with IFRS suggests that fewer and fewer issues will be put to the Round Table.

Standards Advice Review Group (SARG)

EFRAG met with the SARG three times in 2007 and presented endorsement advices including statements of the basis for our conclusions. All the advices presented were evaluated by the SARG as being objective and well balanced. We hope to continue to have a good relationship with the SARG in the future.

Implementation

Implementation of a quite different set of accounting rules must be expected to take some time to get to a satisfactory level. In Europe the first report on the implementation of IFRS in 2005 was issued by EC and ICAEW. Its conclusion was that the implementation was "challenging but successful". The later CESR report reached the same conclusion. It is also apparent that the financial reports for 2006 were of a higher quality than the 2005 reports and that 2007 reports seem to be of a higher quality again. It seems that EU companies and auditors have worked very hard to make the transition to IFRS a success, as have the CESR member bodies in their enforcement work.

The question of how many interpretations, enforcement decisions and how much detailed "guidance" companies and auditors need to properly implement IFRS will never be finally settled. There will always be groups who would like to prescribe interpretations

and there will always be some that would like to have check lists to avoid risk and uncertainty. However, if rules-based standards are to be avoided, the temptation to demand detailed rules must be resisted and companies and their auditors must be encouraged to use their judgement when deciding how to apply IFRS.

Branding and the “carve-out”

One issue that attracted much attention during 2007 is the way companies describe the accounting framework with which they are complying. In the first two years companies stated that their financial statements had been prepared in compliance with “IFRS as adopted by the EU”, but most did not explain that they had also complied with “full IFRS”, even though that was generally the case. Concerned to protect the integrity of the IFRS “brand”, the IASB proposed to require those companies not complying with full IFRS to provide certain additional disclosures. Fortunately, companies and their auditors in certain EU countries have now started to make reference to both frameworks. We believe that companies should have been making the position clear in their description of their accounting policies as required by the IFRS and, if that was not being done, it ought to have been an issue for the enforcers. In other words, it was not an issue for the IASB.

When IFRS was first adopted for use in the EU, 13 paragraphs of IAS

39 relating to hedge accounting were carved out (along with some paragraphs relating to the fair value option, which have since been amended by the IASB and adopted in the EU). This carve-out was probably necessary to enable Europe to adopt IFRS, but nevertheless the ultimate goal is to have one global accounting language. Bearing that in mind, the EU carve-out should not be seen by other countries as justifying local variations from “full” IFRS. If such a view is taken we will never have one global accounting language.

Indeed, the EU carve-out was expected to be only a short-term arrangement. However it is now

in its fourth year and therefore it is time to consider what to do about it, especially as the carve-out has not been used widely. It would be a step forward to get it removed and we encourage all parties to work with energy to find a solution. We stand ready to assist in this process.

Endorsement situation

Although the new endorsement process in the amended IAS Regulation only became legally effective in 2008, it had been applied in practice from early 2007. The new endorsement process involves the EP more in the work. We welcome the democratic involvement of the EP, because it is important that accounting standards that are in substance legislation are supported by the elected representatives of the European people, so that they have real legitimacy. At the same time we need to try to find

ways to make it easy for the EP to monitor the endorsement work in Europe without requiring it to get caught up in all the technical details while giving it the opportunity to consider any issues of particular relevance for Europe. It is important to remember that any delay in endorsement (which could lead to de facto temporary carve-outs) may cause problems for European companies that would like to comply with full IFRS, and it may in the future potentially create problems for European companies listed in the US, who would have to reconcile to full US GAAP (and not only to IFRS) if they have not complied with full IFRS.

However only two interpretations and one revised standard were endorsed during 2007. Three interpretations and two amended standards had still to be endorsed by the end of 2007, and an additional four amended standards have been issued since the year end.

The new endorsement process requires more detailed work to be carried out on the costs and benefits of implementing the new or revised standard or interpretation in the EU and a report on that work (the effects study report) to be considered by the ARC and the EP. This means that, in order for a new or revised standard or interpretation to be considered for endorsement in the EU, EFRAG now needs to carry out both a technical assessment against the endorsement criteria—in order to prepare its endorsement advice and accompanying Basis for Conclusions—and an assessment of the costs and benefits—in order to prepare the Effects Study Report. We also need to consult publicly on both assessments prior to finalising

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them. In addition, the EFRAG endorsement advice must be evaluated by the SARG. Thereafter the EC must consider whether to make a proposal for endorsement to ARC and, after the potential ARC vote, the proposal is submitted to the EP and the Council. This process is labour intensive and time consuming.

The IASB has started to do some costs and benefits work on certain of the standards it issues, which should help a little because EFRAG will base its work on the IASB analysis to the extent possible. However, we would like to see this work carried out for all new and revised standards and interpretations and we would like to see it carried out as part of the public consultation process that the IASB and IFRIC conduct in connection with the exposure draft.

EFRAG will do whatever we can to help clear the backlog of endorsements, but it is burdensome and to a certain degree this diverts some of our focus away from giving input to IASB on new projects, which is also a very high priority for Europe.

For the longer term, we in Europe need to consider the cost and benefits of the current endorsement process.

User Panel and User involvement

EFRAG's User Panel was established in late 2006 and had five meetings in 2007. It has given EFRAG valuable input on the projects on our agenda, and it is also providing input on our effect study work, where user input is especially important. The Panel's discussions have been very lively

and the user representatives have given a positive, different view on accounting issues. It is pleasing that we have been able to increase the size of the Panel in early 2008, and we continue to seek additional members because user input is so important to us.

Proactive Accounting Activities in Europe (PAAinE)

The PAAinE activities have been very productive in 2007 as far as output is concerned, and we are now seeing the finalisation of the projects started when the PAAinE activities were first initiated some three years ago.

PAAinE is the partnership of the European national standard-setters (NSS) and EFRAG that was set up with the objective of working together to improve input from Europe to the global standard setting process. The idea is to utilise the knowledge and understanding

available at EFRAG and at the European NSS in the most efficient way with as key objective encouraging debate in Europe on accounting issues and enhancing the quality of pro-active input to the IASB and

perhaps to the FASB. A Coordinators committee was set up to manage the activities.

Five projects were selected initially each of which is led by staff of one of the standard-setters or EFRAG or sometimes jointly. EFRAG TEG has discussed all the papers in draft form in order to give input and, ultimately, to decide whether to be one of the issuers of the paper. Many of the NSS consider the draft papers in the same way.

In 2007 the following papers were issued:

Revenue recognition—A European Contribution. This project was led jointly by Germany and EFRAG

Stewardship/Accountability as an Objective of Financial Reporting. This project was led by the UK

Shortly after year end the following two papers were issued:

The Financial Reporting of Pensions. This was led by the UK

Distinguishing between Liabilities and Equity. This was led by Germany

We are still working on Performance Reporting phase II led by EFRAG, and we expect the paper to be issued in the summer of 2008. The first PAAinE paper on the Framework was issued in 2006. Additional work has started in relation to the Framework project, led by France and EFRAG.

The papers are usually issued with an invitation for comment and, as we have received quite a few responses, it has been decided to publish a summary of the comments received where applicable.

The Revenue Recognition paper stimulated debate in Europe and is to be presented to a joint meeting of the IASB and FASB in spring 2008. In addition the Pensions paper has already triggered significant debate in the UK, which is very satisfactory. It is also to be presented to the IASB in an educational session. The Equity/Liability paper has also had its impact by influencing the debate on the equity/liability split and is to be presented to the IASB.

The stewardship paper was developed very quickly as a kind of position paper, because many were concerned about the IASB's proposal to remove stewardship as a key objective of financial reporting

The User Panel has provided valuable input on the EFRAG projects.



Paul Ebling
 Technical Director

in the Framework. The work was carried out to underline how important stewardship is perceived to be as an objective of financial reporting by capital market participants.

The papers have been very timely because they precede the issue of an IASB consultation paper on the same issue.



Papers based on the PAAinE projects on the Conceptual Framework, Pensions, Equity and Liability and Revenue Recognition were presented in March 2007 at a meeting in Hong Kong of standard-setters from around the world (including Australia, Austria, Brazil, Canada, France, Germany, Hong Kong, Japan, Mexico, New Zealand, UK, USA and the IASB). There was much interest in the projects and also in the concept of having a partnership of standard-setters to continue proactive thinking that assists and challenges the thinking of the IASB. EFRAG is invited to participate in this global meeting of standard-setters even though we are not a standard-setter, and we are willing to participate, resources permitting, as long as it does not interfere with our European commitments and primary objectives.

Reports from the various Advisory Groups set up to support the individual PAAinE projects are given later in this Annual Review.

Meetings with European National Standard-Setters

EFRAG invites all the European National Standard-Setters to Brussels for a full day meeting every three months. The meetings have been taking place for the past seven years and we believe that it is important to maintain this forum to ensure that we continue to have direct contact and discussions with the European NSS. We continue to try to improve the meetings and to make them attractive, and we had a satisfactory attendance in 2007.

Website

EFRAG's improved website has worked well, and we have been able to keep it more up to date than previously. We have also added features—such as the ability to ask to be informed when news items are posted and an RSS feed—that are intended to help our constituents keep up to date with EFRAG's activities. We welcome suggestions as to how to improve the website further.

We believe that our Endorsement Status Report, which is downloadable from our website, is widely used as the most up-to-date and easiest to access material on the matter.

Technical Work

There have been some significant subjects on EFRAG's agenda in 2007, and EFRAG has been very busy commenting on Exposure Drafts, draft Interpretations and Discussion Papers from the IASB and IFRIC. The most high profile documents were the Discussion Papers on Fair Value Measurement and on Insurance Contracts, and the Exposure Draft on Accounting for SMEs. In addition we have worked on endorsement advices and started up the effect study

work. A list of all the letters issued by EFRAG is set out on page 14.

Fair Value Measurement

In November 2006 the IASB issued its Fair Value Measurements Discussion paper, which comprised an IASB Invitation to Comment and an already finalised and issued FASB standard, FAS 157 Fair Value Measurements. FAS 157 is a 'how to' standard, rather than a 'when to' standard; in other words, it does not discuss when fair value should be used, but what fair value means and how it can be estimated. EFRAG has long argued that it is not appropriate to make the sort of claims that some have made about the usefulness of fair value measures when there is no agreement—and indeed a wide diversity of views—as to what fair value actually means. This was therefore an important discussion paper.

EFRAG worked on its response to the discussion paper during the first half of the year. The response argued that it was difficult to separate the 'how to' issue from the 'when to' issue, because it was difficult to assess whether the guidance being proposed was useful and appropriate without trying to apply it to practical examples. We also argued that some basic issues that had not been addressed in the discussion paper needed to be resolved prior to developing an exposure draft on the subject. We also made it clear that we thought the IASB needed to develop much stronger and more persuasive arguments to support their conclusions that market-based current values are preferable to entity-specific current values and to cost-based values.

We spent a great deal of time on the letter we submitted and we

think it was a carefully thought through and constructive contribution to the debate.

Accounting for SMEs

The project on small and medium-sized enterprise (SME) accounting has taken up a some of EFRAG resources in the last few years. The work was started about three years ago, when a Joint Working Group (JWG) was set up to work on the issue and to monitor the work of the IASB on the subject matter. The JWG was established originally to be a technical group that supported all the organisations with an interest in SME accounting. Establishing the group was originally proposed by the organisations rooted in the SME environment, namely EFAA and UEAPME, and EFRAG and FEE undertook to lead the work, with FEE providing administrative support and EFRAG the technical support. Recently, however, the greatest involvement has been by FEE and EFRAG.

The IASB issued its Exposure Draft of a proposed IFRS for SMEs in February 2007. The JWG provided valuable input to EFRAG in connection with its response to the ED, and we issued an extensive and constructive comment letter sending strong messages to the IASB on improving the proposals to make the standard simpler and shorter and, by improving its structure, easier to use. We have also provided the IASB staff with a fully developed restructured draft.

The project on SME accounting has been highly controversial in Europe over the last year, with a lively debate taking place as to whether Europe should adopt a harmonised approach to the eventual IFRS for

SMEs. This issue is discussed in the Radwan report, and has also been the subject of a number of important speeches. However, we see our primary role as being simply to encourage the IASB to develop a standard that potentially could be as useful as possible from a European perspective. The subject has been very sensitive, but in our view the needs of the EU Internal Market warrant more harmonised accounting requirements regardless of how that might be achieved.

Insurance

The IASB has worked for many years on its Insurance Project and a discussion paper on the subject was issued towards the end of 2006. EFRAG went through a thorough and comprehensive process to evaluate the proposals in depth. In our view the discussion paper was a good piece of work that has contributed greatly to the debate. It was not perfect, and in particular we found aspects of the paper's discussion of measurement unconvincing, but we nevertheless believe that the paper will help to give the project extra momentum, which is important because in our view a comprehensive standard on the subject is urgently needed.

Our Insurance Accounting Working Group has given very good support to EFRAG TEG on the project and we believe that our draft comment letter and our final comment letter were of high quality and gave the IASB valuable input for the next part of the process.

The project is very important, not least because the conclusions reached in this project could affect other important projects such as Revenue Recognition and also Li-

abilities and Provisions. In addition the links between the various elements of the financial statements become very visible and important in this project. From our point of view it is important to look at issues that are linked and that arise in other projects (cross-cutting issues). On the other hand, we would also be concerned if all accounting is decided based on insurance contracts.

Framework

At the beginning of 2007 we were in the process of finalising our comment letter on the discussion paper the IASB and FASB issued in 2006 on the first two chapters of a proposed revised and converged Framework. Those chapters dealt with the objectives of financial reporting and the qualitative characteristics of financial information.

We had previously strongly encouraged the IASB to have a comprehensive debate on the Framework including measurement, so the publication of the discussion paper was very welcome. We were particularly pleased to see a Discussion Paper issued rather than an Exposure Draft, because the issues involved are of fundamental importance and the debate should not be rushed.

We submitted a long but constructive comment letter on the discussion paper. Although we welcomed many of the proposals, we also had a number of significant concerns. One of the concerns raised was the subordination of stewardship as an objective of financial reporting into a resource allocation decision usefulness objective. EFRAG reflected the views of many Europeans in strongly opposing that decision, and the UK



ASB subsequently lead a fast track PAAinE project to gather input and arguments to try to persuade the IASB and FASB of the need to keep stewardship as an objective.

EFRAG has for a long time advised the IASB to issue an ED of the entire new Framework as one ED, because we believe it will be important for the IASB's constituents when commenting to understand the implications of proposals in the early part of the Framework for material later in the Framework. We have also advised the IASB not to finalise parts of the new Framework before other parts are ready to be finalised. We think this is important because under IFRS the Framework is part of the hierarchy of authoritative guidance in the absence of a specifically applicable standard and therefore needs to be a coherent set of principles and not a hotch potch of the old and the new.

A more general concern is that the project is being dominated by North American thinking because of the way it is being staffed. We believe that the IASB should put more of its own resources into the project and should in effect take control of a project that is likely to prove very important in the long-term to its work.

IFRIC 12 Service Concession Arrangements

At the beginning of 2007 EFRAG was working on its draft endorsement advice on IFRIC 12 Service Concession Arrangements. EFRAG members had quite a number of concerns about the Interpretation, believing that the size of the project made it unsuitable as

an IFRIC project. Nevertheless, EFRAG eventually recommended endorsement.

However, the interpretation has not been endorsed yet, partly because some countries in Europe have significant concerns with the interpretation.

IAS 23 Borrowing costs

The revised IAS 23 has also been in issue for some time, and it too took a long time to be endorsed. This was mainly because of the general delays in the endorsement process, although the revisions made are somewhat controversial, because they remove from the standard an option (to expense borrowing costs) that has been commonly used and required the capitalisation of borrowing costs that has not been widely applied in the past. The effect on the financial statements is in most cases not significant and it will bring IFRS more closely into line with US GAAP on this issue (though not on related issues such as the amount to be capitalised). EFRAG weighed the pros and cons of the revised standard carefully and at some length before deciding to recommend endorsement. We hope that the endorsement process for this revised standard will be completed in the autumn.

IAS 1 revised

IASB issued a revised IAS 1 during 2007. It contains about six changes, some of which are very narrow and are likely to have little or no impact on the quality of financial reporting and some of which seem likely to improve financial reporting. An example of the former is changing the name of the "Cash Flow Statement" to "Statement of Cash Flow" but not mandating

the new term's use. However an example that some see as a more useful change is to tidy up the primary statements so that items of income, gains, expenses and losses were not mixed in with changes in equity. The revised standard also allows companies to report all income, gains, expenses and losses in a single performance statement. However, the issue of whether there should be a single statement or two as at present is something that the IASB will return to in a discussion paper that is expected to be issued in Summer 2008. EFRAG recommended that IAS 1 revised should be endorsed and we think the endorsement process for this revised standard will also be completed in the autumn.

IFRIC 13 Customer Loyalty Programmes

Another final statement that EFRAG grappled with at length before eventually deciding to recommend endorsement is IFRIC 13 Customer Loyalty Programmes. This Interpretation relates to air mile schemes and other 'points' arrangements decided to encourage repeat business from customers. The IFRIC decided to develop an interpretation because there was diversity in practice, even on the question of whether such loyalty programmes are a marketing expense or a type of sale transaction. IFRIC 13 states that it is the latter.

The interpretation is controversial, and as a result it was necessary to spend some time debating the endorsement advice. Eventually EFRAG decided to recommend endorsement.

Business Combinations

After a long period of re-deliberation, the IASB issued revised

versions of IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements in January 2008. EFRAG monitored carefully the IASB work on these subjects during 2007. The original intention of the IASB and FASB had been to develop a joint standard, but that did not happen because the FASB carved out an option the IASB included in its standard. One might have sympathy with the FASB, because our understanding is that the only reason the IASB included the option was to get the standard approved. EFRAG is now starting to consider its endorsement advice on the revised IFRS 3 and IAS 27. This is a difficult and complex exercise that will take some time to complete, and it is too early to predict what the outcome will be. Although not likely to be relevant to that advice, it was perhaps a pity that the IASB did not re-expose the standard as a second ED, because the final standard differed in several important respects from the ED and it is problematical when new and controversial changes are introduced without public consultation.

In this regard, it is interesting that the IASB introduced an optional treatment, very late in the process, the option and without consultation when they had just removed the much used option in IAS 23 "Borrowing Costs".

Financial Instruments

Things were fairly quiet in 2007 in terms of new documents on financial instruments, with just one exposure draft (Proposed amendments to IAS 39 Exposures Qualifying for Hedge Accounting). However, 2008 is likely to be a busier year with discussion papers due on possible new ways of classifying equity and liability and

on the future direction in which IAS 39 should be developed. A research report on derecognition is also expected, and one could imagine that the fallout from the market turmoil arising from the current 'credit crisis' might result in further work on the measurement of financial instruments when markets are illiquid.

Joint Ventures

In September 2007 the IASB issued ED 9 Joint Arrangements. This ED proposes to amend the existing standard on accounting for joint ventures, and in particular to prohibit proportional consolidation and require all joint ventures to be accounted for using equity accounting. EFRAG's comment letter, which was finalised in early 2008, does not support this proposed prohibition. In EFRAG's view, the issues involved need to be examined much more thoroughly than they have been to date before a methodology that is widely thought to be more useful than the alternative is prohibited.

D21 Real Estate Sales

D21 Real Estate Sales has proved controversial. Although the issue raised was fairly narrow, the eventual draft Interpretation was quite broadly scoped and resulted in a debate on how IAS 11 and IAS 18 were actually used in practice today and where the borderlines for IAS 11 are and should be. This is the third Interpretation IFRIC has issued on revenue recognition issues (IFRIC 12, 13 and D21), and there is a concern about this piecemeal approach to the issue.



People have family and personal responsibilities and needs outside of work, whether it is caring for children or the pursuit of personal interests and hobbies. Judging from my own experience, finding ways to accommodate these responsibilities and needs can make a real difference. In my case, having a flexible working arrangement is essential in organising and enjoying care for my two little children (a boy of four and a girl of one year old), and pursuing my career in international financial reporting at the same time.

At EFRAG I have a part time job and I do my work partially from the office and partially from home. Such a working arrangement helps me to meet my commitments both inside and outside the workplace. It allows me to retain and develop my professional skills and to ensure that I have enough time and energy for my family.

**Svetlana Boysen,
EFRAG project manager**

EFRAG PUBLICATIONS AND ACTIVITIES 2007

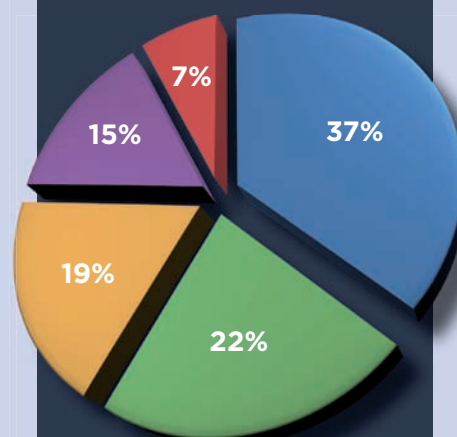
EFRAG Letters 2007	Draft Comment Letter	Final Comment Letter	Draft Endorsement Advice	Final endorsement Advice
IFRSs				
Amendments to IAS 1 - Revised Presentation of Financial Statements	21-04-06	24-07-06	14-9	
Amendments to IFRS 1 - Cost of an Investment in a Subsidiary	1-3	15-6		
Amendments to IAS 24 - Related Party Transactions	24-4	5-7		
Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting	28-11			
IAS 23 - Borrowing Costs	27-06-05	17-11-05	25-4	20-6
IFRS 8 - Segment Reporting	28-02-06	15-06-06	06-12-06	16-1
Proposed Improvements to IFRS	29-10	29-01-08		
IFRIC				
IFRIC 11 - Group and Treasury Share Transactions	01-06-05	18-05-05	20-12-06	18-1
IFRIC 12 - Service Concession Arrangements	22-03-05	24-05-05	12-2	23-3
IFRIC 13 - Customer Loyalty Programmes	27-09-06	28-11-06	7-9	
IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	24-10-06	24-11-06	25-7	
IFRIC D21 - Real Estate Sales	18-9	7-12		
IFRIC D22 - Hedges of a Net Investment in a Foreign Operation	19-9	26-11		
Other Letters				
Discussion Paper: Insurance Contracts	3-10	22-02-08		
Discussion Paper Fair Value Measurements	1-3	29-5		
Discussion Paper Preliminary Views on Conceptual Framework		17-1		
IFRS for Small and Medium-sized Entities	19-4	07-02-08		
Joint Arrangements	7-12	06-02-08		
Other Publications				
PAAinE: Stewardship	25-6			
PAAinE: Revenue Recognition	20-7			
PAAinE: Equity and Liabilities	28-01-08			
PAAinE : The Financial Reporting of Pensions	30-01-08			

Letters issued in 2007	
Draft Comment Letters	10
Final Comment Letters	6
Draft Endorsement Letters	5
Final Endorsement Letters	4
Other Publications	2
TOTAL	27

Activities		
Technical Meetings	TEG (3 days)	11
	TEG Extra	4
	CFSS	4
	WG	32
	User Panel	5
	Others	9
Speeches	Chairman TEG	21
Other meetings	Chairman TEG	51

PUBLICATIONS 2007

- Draft Comment Letters
- Final Comment Letters
- Draft Endorsment Letters
- Final Endorsment Letters
- Other Publications



FINANCIAL HIGHLIGHTS

EUROPEAN FINANCIAL REPORTING ADVISORY GROUP (EFRAG) Abbreviated Financial Statements as of 31 December 2007

Income Statement	2007 '000 €	2006 '000 €
Members' Contribution	1338	1075
Voluntary Contributions	283	
Total Contributions	1621	1075
Personnel costs	-997	-886
Office costs	-130	-114
Meeting costs	-26	-26
Other costs	-122	-117
Operating Expenses	-1275	-1143
Operating Profit or Loss	346	-68
Financial Result	1	-8
Net Profit or Loss	347	-76

Balance Sheet	31 Dec. 2007 '000 €	31 Dec. 2006 '000 €
Total Fixed Assets	52	58
Total Current Assets	1193	916
Total Assets	1245	975
Accumulated surplus	1060	714
Creditors	185	261
Total Liabilities	1245	975

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

In the financial year 2007 expenses increased by 12% and we had expected to employ more staff during the year. EFRAG received additional voluntary contributions. Therefore the year gave a surplus of € 347 000 which was large. However, the aim is to increase the staff level considerably in 2008 and also to move offices which will be costly. However EFRAG expects in 2008 to break even.



XXX January, 2008
IASB
30 Cannon Street
London EC4M 6XH
UK

Draft comment letter for comments by 7 January 2008
to Commentletter@efrag.org

Re: Exposure Draft ED 9 Joint Arrangements

On behalf of the European Financial Reporting Advisory Group (EFRAG) I am writing to comment on the Exposure Draft ED 9 Joint Arrangements. This letter is submitted in EFRAG's capacity as a contributor to IASB's and IFRIC's due process. EFRAG's comments necessarily indicate the conclusions that would be reached in the European Commission on endorsement of the definitive IFRSs.

We have structured our response as follows. We outline below our views on the proposals. In appendix 1 we discuss these issues in more detail. In appendix 2 we provide responses to the questions posed in the exposure draft. In appendix 3 we provide some suggestions of different presentations of the profit and loss account which could provide useful information to users of financial statements if proportionate consolidation is eliminated.

- Our main concern relates to the proposed elimination of proportionate consolidation. The case for eliminating proportionate consolidation is not convincing. Although we in general support the elimination of account consolidation, nevertheless that it is essential that decisions as to which consolidation option to make only after a full consideration of all of the options available. It appears in this case that only the proportionate consolidation option is being considered. In our view, were the other options subjected to a proper evaluation, it would also be found to be a viable option.
- The usefulness of the information provided. The proposed elimination of proportionate consolidation would achieve that the information provided is more useful.
- Inconsistencies with the Framework. Although the proposed elimination of consolidation is inconsistent with the Framework, in particular that the current IAS 31 interests in joint ventures (proportionate consolidation reflects the substance of the arrangement.) We agree with this, but it is less consistent with the Framework than the proposed elimination.



PRO-ACTIVE ACCOUNTING ACTIVITIES IN EUROPE

DISCUSSION PAPER
DISTINGUISHING BETWEEN LIABILITIES AND EQUITY



STEWARDSHIP/ACCOUNTING OBJECTIVE OF FINANCIAL STATEMENTS
A comment on the IASB/FASB Exposure Draft ED 9



DISCUSSION PAPER **3**
JULY 2007

REVENUE RECOGNITION A EUROPEAN CONTRIBUTION



PRO-ACTIVE ACCOUNTING ACTIVITIES IN EUROPE

DISCUSSION PAPER
THE FINANCIAL STATEMENTS



USER PANEL



The EFRAG User Panel was established in late 2006, and met for the first time in January 2007. The Panel comprises fourteen users of financial statements who together have a wide range of experience in different user sectors within Europe, including equity analysts, financial analysts and financial consultants (see Table 6). Presently, Stig Enevoldsen, EFRAG TEG Chairman, is also Chairman of the User Panel.

The key purpose of the Panel is to assist EFRAG in its work by providing input from the user community to EFRAG's draft comment letters and endorsement advice. In addition, the Panel contributes input to the long-term proactive work being carried out by EFRAG and the European standard-setters in the PAAinE projects. The aim is for the Panel to meet for one day every three months in Brussels. In 2007 it exceptionally met

five times. The topics selected for each Panel meeting depend largely on the particular projects that EFRAG is working on at the time of the meeting, special attention being given to accounting issues that require EFRAG to obtain a thorough understanding of user needs, thereby assisting EFRAG in developing its views exposure drafts and on endorsement of the Standard or Interpretation being considered.

During the first half of the year, the Panel debated a variety of topics, including the IASB's Framework, Measurement, and Performance Reporting. Another key project discussed with the Panel, across three meetings, was Business Combinations. The views received will be considered by EFRAG as it debates endorsement of the revised IFRS 3 Business Combinations and amended IAS 27 Separate and Consolidated Financial Statements.

As a result of the debate in Europe over the endorsement of IFRS 8 Operating Segments, EFRAG is now carrying out more extensive work on the costs and benefits of Standards and Interpretations being considered for endorsement. As part of this work, EFRAG has been consulting with the User Panel. For example, at its meeting in December 2007, the Panel was asked about the costs and benefits from a user's perspective of IAS 23 (revised) Borrowing Costs, IFRIC 12 Service Concession Arrangements, IAS 1 (revised) Presentation of Financial Statements and IFRIC 14 which addresses certain aspects of pension accounting.

The input obtained from the Panel during the course of 2007 has been very fruitful and has aided EFRAG in its due process and in the advice EFRAG has given to the European Commission.

REPORT FROM THE EFRAG WORKING GROUPS

Financial Instruments Working Group

EFRAG has availed itself of the technical expertise and first hand practical experience of members of the Financial Instruments Working Group ever since the Group started its work in 2005 (see Table 7).

Several projects were completed or were near completion in 2007 in the area of financial instruments reporting. In particular, the IASB held public roundtables on the proposed amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. It also published for public comment an exposure draft of proposed amendments to IAS 39 Financial Instruments: Recognition and Measurement - Exposures Qualifying for Hedge Accounting. The IASB's 2007 Annual Improvements project included several financial instruments-related amendments. The IFRIC considered a number of financial instruments issues in 2007 and published for public comment IFRIC D22 Hedges of a Net Investment in a Foreign Operation. As part of the convergence project with the FASB, IASB and FASB staff were near completion of their work on joint due process documents in relation to longer-term projects relating to financial instruments: Derecognition of Financial Instruments, Distinction between Liabili-

ties and Equity, and Replacement of IAS 39.

The Financial Instruments Working Group has been actively involved in helping EFRAG with its work on these projects, meeting three times during the year and providing a high quality input into EFRAG's comment letters and with ongoing debates on the projects.

As part of the Proactive Accounting Activities in Europe (PAAinE) initiative, staff of the German Accounting Standards Board worked during 2007 on the development of a new approach (the so-called loss absorption approach) to distinguishing between equity and liability. A discussion paper on this approach was published for comment in January 2008. The Financial Instruments Working Group assisted in this work by commenting on the paper as it was being developed.

Insurance Accounting Working Group

2007 was a busy year for EFRAG's Insurance Accounting Working Group (IAWG) as the IASB issued its long waited Discussion Paper Preliminary Views on Insurance Contracts in May 2007. The IAWG met eight times in 2007 and one or more representatives of the IAWG also attended each of the EFRAG TEG meetings at which the Discussion Paper was discussed.

The IAWG continued to monitor the IASB's activities relating to in-

urance contracts, and its main objective in 2007 was to help EFRAG TEG members develop their thinking on the issues addressed in the Discussion Paper on Insurance Contracts and thus assist in the preparation of EFRAG's draft comment letter on the Discussion Paper. The IAWG also assisted TEG members when they considered the responses to that draft letter and started to prepare EFRAG's final comment letter.

In addition, the IAWG also assisted in EFRAG in its work on the IASB Discussion Paper Fair Value Measurement by commenting on EFRAG's draft comment letter.

Joint Ventures Working Group

EFRAG established the Joint Venture Working Group (JVWG) in September 2007. The group consists of 12 members, including 8 preparers representing companies that carry out large parts of their activities through joint ventures in several different industrial and commercial sectors, and three representatives of major audit firms. The sectors represented include construction, advertising, property investment, banking, chemical manufacturing, oil and gas and infrastructure management drawn from six countries. The group held three meetings in September and October under the chairmanship of Thomas Seeberg of TEG.





Australia is far away from Europe. However, I have realised by working in Australia for EFRAG

that distance is not necessarily an obstacle to having an interesting and challenging job at EFRAG. Technology and an international environment at EFRAG have made it possible for me to succeed. It proves that EFRAG is a professional organisation supported by forward thinking people.

**Charlotte Norre,
working from Australia
as EFRAG project manager**

The JVWG was formed in anticipation of the proposed elimination from IAS 31 Joint Ventures of the option to account for jointly-controlled entities using the proportionate consolidation method. The role of the group was to assist EFRAG TEG in developing its response to ED 9 Joint Arrangements by evaluating the ED's proposals and assessing their effect on the accounting for joint ventures. In addition, working on the assumption that only the equity method would be permitted for jointly-controlled entities in the future, the JVWG was asked to prepare proposals for presentation or disclosure that would ensure that entities carrying out their core operations through joint ventures would be able to communicate efficiently with users of their financial statements.

In the course of the meetings, participants provided very varied and useful insights into the scope of their joint venture operations and the related accounting methods and disclosures. While the choice made by companies between the equity method and proportionate consolidation often reflects the requirements of the local GAAP, members agreed that the information provided by both methods is not perfect. The group was able to provide valuable information for EFRAG to use in drafting its comment letter to the IASB on

ED 9, and was able to suggest a number of different formats for the presentation of joint ventures in financial statements that have been forwarded to the IASB for its consideration.

Service Concession Arrangements Working Group

Service Concession Arrangements play a vital role in modern economic life and, until the publication of IFRIC 12 Service Concession Arrangements, there was no detailed guidance available in the IFRS literature. Due to the specialised nature of the subject, EFRAG established early in the development phase of the expected interpretation the Service Concession Arrangements Working Group, which provided assistance to EFRAG TEG throughout the process.

The final interpretation on Service Concession Arrangements (IFRIC 12) was issued in November 2006. The group met once in 2007 to provide EFRAG with their input during the development of EFRAG's IFRIC 12 endorsement advice. Representatives of the working group also met with EFRAG TEG.

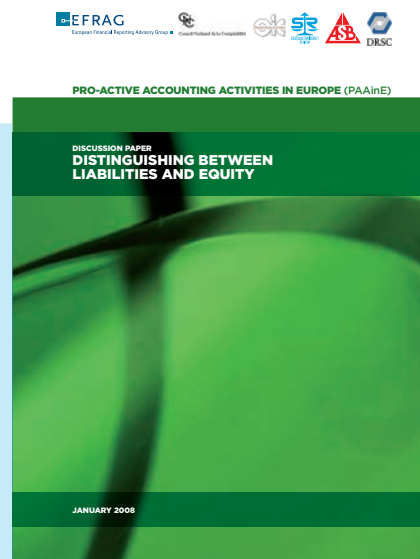
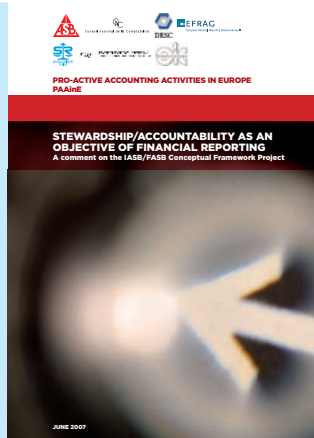
SME Joint Working Group

In 2004, EFRAG set up a Joint Working Group 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 its work on this highly important issue. In view of the different implementations of the 4th and 7th Accounting Directives, as well as different national laws on the topic, it is important 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 also provided assistance to EFRAG TEG during the development of the EFRAG comment letter, which was published in February 2008. The Joint Working Group met four times during 2007.

REPORT FROM THE PAAInE ADVISORY GROUPS



Conceptual Framework

The Conceptual Framework Advisory Group was set up in 2006 as a PAAInE project as a result of the IASB and FASB decision to add to their agenda a joint project to develop an improved and converged conceptual framework. The objective of the activities of the Group is to ensure that Europe participates actively in the conceptual framework debate, hopefully by providing comments that make a difference. The Group, led jointly by the French standard-setter CNC and EFRAG, has continued its work in 2007 on a small number of projects.

Comments received on the first paper issued by the group in 2006, ('Elements of the Framework Debate: The Conceptual Framework-Starting from the right place?') have been analysed and summarised. A summary is to be published in the beginning of 2008.

As an additional step in the Group's work a Europe-wide survey on user needs has been carried out. A questionnaire has been sent out to national standard-setters, who have also invited responses from other interested parties in various European jurisdictions. The survey focuses on the financial needs of investors and creditors in their decision-making process with regard to

entities that apply IFRSs.

The Group has also provided input on the PAAInE paper on stewardship/accountability, drafted by the UK ASB. The paper, which was prepared to stress the importance of stewardship/accountability as a separate objective of financial reporting, has been made available to the IASB and the FASB to be considered in their conceptual framework project in their work on the first chapter of the revised framework.

Distinguishing between Liabilities and Equity

There has been much debate recently about whether the way in which IFRS currently differentiates between instruments classified as equity and instruments classified as liabilities remains appropriate. It has become increasingly clear, in particular, that while the model works well for certain types of corporate structure and capital instrument, it works less well for other structures and instruments. This is a particular problem in parts of Europe where such 'other' structures and instruments are common.

In order to be pro-active on an issue of fundamental importance to Europe, EFRAG and the standard-setters in Europe decided in 2005 to carry out an in-depth project to develop thinking on the subject that took the issues raised by these 'other' types of structure and instruments properly

into account. The PAAInE Equity and Liabilities Advisory Group was established to provide advice to the project leaders, the staff of the German standard-setter.

It was decided that a PAAInE paper should be prepared on the subject and, during 2007, the Group met several times to discuss drafts of the paper and Group members also commented by email on drafts.

As a result, the PAAInE discussion paper Distinguishing between liabilities and equity was published in January 2008.

The PAAInE paper presents a new possible approach, the so-called loss absorption approach. The loss absorption approach takes as its starting point the fact that the users of financial statements that have the most comprehensive need for information about the entity are those that stand last-in-line when profits are being distributed or when the company is being wound up; in other words, those who hold the loss absorbing instruments. It deduces from this that the most useful way in which equity can be distinguished from non-equity is on the basis of whether it is loss absorbing; equity is the capital that directly absorbs in the losses of the business, and non-equity does not directly in those losses (although it may indirectly have to absorb such losses).

Performance Reporting Advisory Group

In September 2007, the IASB issued a revised version of IAS 1 Presentation of Financial Statements, as the first part of its project on Financial Statement Presentation which includes the reporting of financial performance. The purpose of this project is to present information in 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.

At the same time, the IASB and FASB began working on the second phase of the project and a discussion paper is expected in 2008. This discussion paper is expected to discuss rather fundamental changes to the currently existing presentation practice.

As part of EFRAG's Pro-active Accounting Activities in Europe (PAAinE), it was envisaged that a joint project team of EFRAG and the Spanish standard-setter should develop a discussion paper to stimulate 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, each resulting in the publication of a discussion paper.

The first paper, which was published in November 2006 (with the

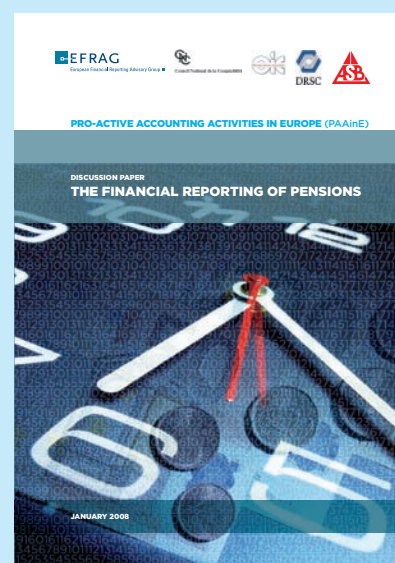
name "The Performance Reporting Debate - What (if anything) is wrong with the good old income statement?"), attempted to set the scene for the debate. The comment period ended on March 31, 2007 and EFRAG received 20 comment letters from constituents who provided their feedback and insights on the questions raised in the first paper. The letters have been analysed by EFRAG Staff and a summary is expected to be published in 2008.

Shortly after the issuance of the first paper, work on the second paper started, which is envisaged to debate the identified specific issues in order to determine possible future directions of performance reporting. Issues being addressed evolve around the question of disaggregation, grouping and sub-totalling of performance information and will take into account the manifold views provided in the comment letters.

The Advisory Group met three times during 2007 in order to debate an early EFRAG Staff paper. A draft version of that paper is currently under review and it is hoped that the paper will be still published in advance of the IASB / FASB discussion paper.

Pensions Advisory Group

The Pensions PAAinE initiative was set up in early 2005 to reconsider the fundamental principles of pension accounting with a view to



contributing to the development of improved international standard on the subject. This project is being led by the staff of the UK standard-setter, the UK ASB.

The key objective of this initiative is to develop a discussion paper in time for the European community to familiarise itself with the relevant issues and stimulate a pan-European debate at an early stage, bearing in mind that the IASB, as a first step in their project, is in the process of reviewing certain aspects of post employment benefits accounting which should result in the issue of a discussion paper during the first half of 2008. (The IASB's discussion paper represents phase 1, the overall aim of this phase being to issue an interim standard that would significantly improve pension accounting by 2010. A comprehensive review of post-employment benefit accounting will form the second phase).

REPORT FROM THE PAAInE ADVISORY GROUPS



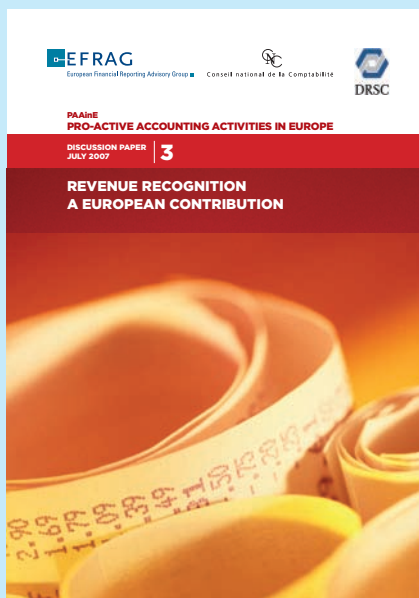
This PAAInE project seeks to address the following matters:

- How best to reflect the relationship between an employer and a pension scheme in the employer's financial statements;
- How to recognise and measure the employer's assets held to pay pension benefits as well as the pension liabilities;
- How best to reflect movements in the value of plan assets and pension liabilities in the statement of financial performance;
- Consolidation of pension funds;
- Whether disclosure required by current standards are sufficient and appropriate;
- Financial reporting by pension schemes.

The EFRAG PAAInE advisory group met four times during 2007 in Madrid, Berlin, Rome and Vienna. EFRAG TEG was briefed on five occasions in 2007 regarding the technical developments in the project, and also provided input on the findings of the project. The discussion paper was published in January 2008.

Revenue Recognition Advisory Group

Later this year the IASB and FASB are expected to issue a joint discussion paper on revenue Recognition. That discussion paper is likely to raise some fundamental issues about how revenue and gains should be accounted for,



and could have major implications for accounting in the future. Recognising this, the German standard-setter (DRSC) and EFRAG decided back in 2004 that Europe needed to start debating the issues involved and developing its own thinking on the subject if it was to play an effective role in the global debate on the subject. The DRSC and EFRAG therefore started their own joint project on the subject, and in 2006 it became a PAAInE project and the working group involved became a PAAInE Advisory Panel.

DRSC and EFRAG decided to develop a PAAInE Discussion Paper and the paper was issued in July 2007, with comments being invited on the paper by 10 December.



My experience of participating in EFRAG's PAAInE groups has been rather enlightening and fascinating.

Individuals from all walks of life participate in these PAAInE groups namely academics, standard-setters, regulators, users, preparers and auditors from across Europe.

This infusion of various perspectives certainly enriches the discussions and the resulting output.

Additionally the variety of different nationalities and personalities within the groups serves to expand ones perspective tremendously and most certainly helps towards a broader understanding of the accounting issues at stake throughout Europe.

**Nasreen Vadachia,
EFRAG project manager**

Although the Advisory Panel has not met during the year, members of the Panel assisted in the development and finalisation of the paper by providing comments and other advice. The comments received in response to the paper are now being analysed so that a decision can be taken as to what the next steps in the project should be. It is expected that a summary of the comments received will be issued in 2008.

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 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.

APPENDICES

TABLE 1 - FOUNDING FATHERS / MEMBER BODIES

EFRAG is a private sector body established by European organisations prominent in European capital markets, known collectively as the 'Founding Fathers / Member Bodies':

BUSINESSEUROPE	European Business Federations
ERT	European Round Table
FEE	European Federation of Accountants
CEA	European Insurance Organisation
EFFAS	European Federation of Financial Analyst Societies
EBF	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

TABLE 2 - SUPERVISORY BOARD

The members of the Supervisory Board are:

Göran Tidström, Chairman	PwC Sweden	David Lindsell	FEE
John Glen, vice-Chairman	BUSINESSEUROPE/ERT	Patrice Marteau	BUSINESSEUROPE
David Devlin	FEE	Guido Ravoet	EBF
Chris De Noose	ESBG/WSBI	Peter Sampers	BUSINESSEUROPE/ERT
Hervé Guider	EACB	Jos Streppel	CEA
Robin Jarvis	EFAA/UEAPME	Hans van Damme	FEE
Klaus-Günther Klein	FEE		

The advisors of the Supervisory Board members are:

Jérôme Chauvin	BUSINESSEUROPE	Saskia Slomp	FEE
Roger Kaiser	EBF	Alexander Hadjinenkov	EACB
Juan Pablo Gomez Mera	ESBG	Benoit Malpas	CEA

The European Commission attends the meeting as an observer.

Henri Olivier (FEE) is Secretary to the Supervisory Board.

TABLE 3 - TECHNICAL EXPERT GROUP

VOTING MEMBERS

	Stig Enevoldsen (DK)	EFRAG TEG Chairman Audit Partner Deloitte		Roberto Monachino (I)	Head of CFO Strategic Process Optimization & Control - Unicredit Group S.p.A.
	Mike Ashley (UK)	Chairman Financial Instruments Working Group Audit partner KPMG		Hans Schoen (NL)	Audit Partner KPMG
	Alan Dangerfield (CH)	Head of Corporate Finance Accounting & Controlling - External Relations Roche		Thomas Seeberg (D)	Former CFO Osram GmbH
	Françoise Flores (F)	Co-Chairwoman SME WG Chairwoman Performance Reporting Working Group Audit Partner Mazars		Anna Sirocka (PL)	Audit Partner Ernst & Young
	Prof. Manuel García-Ayuso (E)	Professor at University of Seville		Michael Starkie (UK)	Group Vice President and Chief Accounting Officer at BP p.l.c.
	Catherine Guttmann (F)	Audit Partner Deloitte		Carsten Zielke (D)	Managing director - Insurance Strategist at Bear Stearns

NON VOTING MEMBERS

	Liesel Knorr (D)	President German Accounting Standards Board (GASB)		Ian Mackintosh (UK)	Chairman UK Accounting Standards Board
	Jean-François Lepetit (F)	Chairman French Standard- Setter (CNC)	The European Commission, The IASB and CESR attend the meeting as observers.		

TABLE 4 - SECRETARIAT

Stig Enevoldsen	EFRAG Chairman and CEO	Sven Morich	Project Manager
Paul Ebling	Technical Director	Charlotte Norre	Project Manager
Sigvard Heurlin	Senior Project Manager	Thomas Oversberg	Project Manager
Isabel Batista	Project Manager	Nasreen Vadachia	Project Manager
Svetlana Boysen	Project Manager	Frederiek Vermeulen	Junior Project Manager
Nico Deprez	Project Manager	Nathalie Saintmard	Office Administration (until December 2007)
Gregory Hodgkiss	Project Manager	Tania Orobello	Office Administration

TABLE 4 - EFRAG OBSERVERS OF IASB WORKING GROUPS

Mike Ashley	Financial Instruments
Carsten Zielke	Insurance
Dominique Thouvenin	Leasing
Andrew Lennard	Pensions
Françoise Flores	Performance Reporting
Gerhard Prachner	SME

TABLE 6 - MEMBERS OF THE USER PANEL

Stig Enevoldsen - TEG Chairman and 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 Co-ordinator (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 - Director (Brunswick Group); Friedrich Spandl - Director (BAWAG); Alison Thomas - Director (PWC); Guy Weyns - Managing Director Global Valuation & Accounting (Morgan Stanley); Jed Wrigley - Fund Manager, Director of Accounting & Valuation (Fidelity International); Carsten Zielke - TEG Member. In addition, the EU Commission and TEG members attend the meeting as observers.

TABLE 7 - MEMBERS OF THE FINANCIAL INSTRUMENTS WORKING GROUP

Mike Ashley - TEG Member and Working Group Chairman; David Bradbery - Preparer (UBS Investment Bank); Isabelle Collignon - Preparer (Crédit Agricole SA); Yvonne Donkoff - Preparer (DZ Bank) until end 2007; Yvonne Wiehaegen-Knopke - 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); Svetlana Boysen (EFRAG); Paul Ebling (EFRAG). In addition the EU Commission, CESR and CEBS attend the meetings as observers.

TABLE 8 - MEMBERS OF THE INSURANCE ACCOUNTING WORKING GROUP

Benoît Jaspar - Working Group Chairman - Preparer (Assicurazioni Generali); Bernard Bolle-Reddat - Preparer (BNP-Paribas); Inge Beicher - Preparer (Danskebank); Hugh Francis - Preparer (AVIVA); Catherine Guttmann - TEG Member; Jean d'Herbécourt - preparer (Société Générale); 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; Nico Deprez (EFRAG); Paul Ebling (EFRAG). In addition the EU Commission, CESR, CEIOPS and the CEA attend the meeting as observers. ICISA, ACME and the Reinsurance industry are associate members of the working group.

TABLE 9 - MEMBERS OF THE JOINT VENTURES WORKING GROUP

Thomas Seeberg - TEG member and Working Group Chairman; Stephen Burrows - Preparer (Great Portland Estates); Pieter Dekker - Auditor (Ernst & Young); Mark-Ken Erdmann - preparer (Bertelsmann AG); Jean-Claude Goetghebeur - Preparer (Cetelem/Paribas); Mette Herdlevaer - Auditor (Deloitte); Jesus Herranz - Preparer (Seopan/Ferrovial); Mischa Horstmann - Preparer (Hochtief AG); Harold de Laveleye - Preparer (Solvay); Alberto Laverón - Auditor (ACS); Jérôme Pelletan - Preparer (Air Liquide); Stéphane Prigent - Preparer (JCDecaux); Gregory Hodgkiss (EFRAG).

TABLE 10 - MEMBERS OF THE SERVICE CONCESSION ARRANGEMENTS WORKING GROUP

Jan Backhuijs - Dutch Standard Setter (DASB); Hans-Kurt Bergheimer - Preparer (Bilfinger and Berger); Michelle Crisp - UK Standard Setter (UKASB); Anette Davis - EC Observer, until February 2007; Gérard Duhamel - Preparer (FIEC); Jesus Herranz - Preparer (Seopan/Ferrovial); Jorge Herreros - Auditor (KPMG); Philippe Hubert - Preparer (Veolia); Jean-Louis Lebrun - Auditor (Mazars); Hans Leeuwerik - EFRAG, until February 2007; Jean-Pierre Mounier - Preparer (FIEC); Antoni Reczek - Auditor (PwC); Sigvard Heurlin (EFRAG); Thomas Oversberg (EFRAG). The EU Commission attends the meeting as observers.

APPENDICES

TABLE 11 - MEMBERS OF THE JOINT WORKING GROUP ON IFRS FOR SME

Françoise Flores - TEG Member and Co-Chairwoman SME WG; Hans van Damme - Co-Chairman SME Working Group - Auditor (FEE); Luisa Anacoreta, Academic (Universidade Catholica Editora, Lisboa); Kati Beiersdorff (German Standard-Setter); 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); Jill Collis, Academic (Kingston University, London); Christine Darville - Preparer (FEB/BVO); Annette Davis - EC; Sarah de Greef - Preparer (FEB/VBO); Isabelle Ferrand - Preparer (CNCM); Cornelia Flury - Auditor (IDW); Christoph Frank - Auditor (ZDH); Henri Giot - Auditor (OEC); Franz Gross - Preparer (Österreichischer Genossenschaftsverband); Signe Haakanes - Auditor (Den norske Revisorforening); Alexandar Hadjinenkov - Preparer (EACB); Jorge Herreros - Auditor (KPMG); Robin Jarvis - EFRAG SB Member - Auditor (ACCA); Felix Mayrhofer - User (Sparkassen-Prüfungsverband); Juan Pablo Gómez Mera, User (ESBG); Jens Poll - Auditor (Dres Brönnner Treuhand-Revision); Gerhard Prachner - Auditor (PWC); Silvia Prasse - Preparer (BDI); Antonio Pulido Alvarez - Academic (Universidad Carlos III); Päivi Rätty - Preparer (CFIE); Isobel Sharp - Auditor (Deloitte); Nigel Sleigh-Johnson - Auditor; Saskia Slomp (FEE); Kees Streefkerk - Preparer (SHV Holdings); Knut Tonne - EC; Hugo Van Den Ende - Auditor (PWC); Willem Van Leeuwen - Preparer (SHV Holding); Sven Mörich (EFRAG); Charlotte Norre (EFRAG).

TABLE 12 - PAAInE CONCEPTUAL FRAMEWORK ADVISORY GROUP

Bernard Colasse - Working Group Chairman - Academic (Université Paris Dauphine); Dominique Bonsergent - Preparer (Total SA); Jerome Chevy (CNC); Ole Michaël Friis - Academic (University of Southern Denmark); Rolf Uwe Fülbiel - Academic (WHU - Otto Beisheim School of Management); Seema Jamil-O'Neill (UK ASB); Steinar Sars Kvitte - Auditor (Norwegian Financial Reporting Group); Laima Kazlauskienė - Lithuanian Standard-Setter (IARL); Ugo Marinelli - Academic (OIC); Philip Staines (CNC); Enrique Villanueva - Academic (Universidad Complutense de Madrid); Paul Ebling (EFRAG); Sigvard Heurlin (EFRAG); Knut Tonne (EC).

TABLE 13 - PAAInE ADVISORY GROUP ON EQUITIES AND LIABILITIES

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 observer.

TABLE 14 - PAAInE PERFORMANCE REPORTING ADVISORY GROUP

Françoise Flores - TEG Member and 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); Getruda Swiderska - Academic (Warsaw School of Economics); Milos Tumpach - Academic (University of Economics Bratislava); Jose Luis Uceda - Academic (University of Madrid); Wolfgang Weber - Banker (Deutsche Bank AB); Peter Westlake - User (UKASB); Gilles Zancanaro - Preparer (Bouygues Corporate); Thomas Oversberg (EFRAG). In addition the EU Commission attends the meeting as observer.

TABLE 15 - PAAInE PENSIONS ADVISORY GROUP

Andrew Lennard - Working Group Chairman - UK Standard Setter (UKASB); Luis Bautista Jiménez - Spanish DG of Insurance and Pension Funds; Laima Kazlauskienė - Lithuanian Standard Setter (IARL); Finn Kinserdal - User (Borea) 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); Nasreen Vadachia (EFRAG); Paul Ebling (EFRAG). In addition the EU Commission attends the meetings as observer.

TABLE 16 - MEMBERS OF THE REVENUE RECOGNITION ADVISORY 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); Paul Ebling (EFRAG).





European Financial Reporting Advisory Group ■

ANNUAL REVIEW **2007**

The screenshot shows the EFRAG website homepage with a navigation menu (About Us, Projects, Meetings) and a news section. The news items include:

- 6-2-2008 | EFRAG's Draft Comment Letter on the Amendments to IFRS 2 and IFRIC 11 - Group Cash
- 6-2-2008 | EFRAG's Final Comment Letter on ED 9 Joint Arrangements
- 4-2-2008 | TEG - Public Conference Call
- 3-2-2008 | EFRAG Update January 2008

 The 'The EU endorsement status report' table is as follows:

	Has EFRAG issued its endorsement advice?	Has the ARC voted on it?	When might endorsement be expected?
STANDARDS			
REVISED IFRS 3 'BUSINESS COMBINATIONS' (Issued 10 January 2008)	* Expected in Q3 2008	* Expected at the October meeting	* In Q1 2009
INTERPRETATIONS			
IFRIC 12 'SERVICE CONCESSION ARRANGEMENTS' (Issued 30 November 2006)	✓	* Expected at either the June or July meeting	* By the end of 2008
IFRIC 13 'CUSTOMER LOYALTY PROGRAMMES' (Issued 28 June 2007)	* Expected in April or May 2008	* Expected at either the June or July meeting	* By the end of 2008
IFRIC 14 'IAS 19—THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION' (Issued 05 July 2007)	* Expected in April 2008	* Expected at either the June or July meeting	* By the end of 2008
AMENDMENTS			
AMENDMENT TO IAS 23 'BORROWING COSTS' (issued 29 March 2007)	✓	* Expected at either the June or July meeting	* By the end of 2008
AMENDMENTS TO IAS 1 'PRESENTATION OF FINANCIAL STATEMENTS: A REVISED'	* Expected in April	* Expected at	* By the end of

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