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 EFRAG

European Financial Reporting Advisory Group ■

About EFRAG

EFRAG, the European Financial Reporting Advisory Group, was established in 2001 with the encouragement of the European Commission to provide input into the development of IFRS issued by the IASB and to provide the European Commission with technical expertise and advice on accounting matters.

EFRAG is a private sector body established by European organisations that play a prominent role in Europe's capital markets, known collectively as "EFRAG Member Organisations". 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 European Commission on all issues relating to the application of IFRS in the EU". EFRAG's activities aim at ensuring that European views on the development of financial reporting are properly and clearly articulated in the international standard-setting process.

Since 2010, EFRAG is funded by its Member Organisations, the National Funding Mechanisms (national systems that collect contributions to fund EFRAG) and the European Commission. The European Commission matches each euro contributed by the private sector, up to a maximum annual grant amount.

All EFRAG technical positions are discussed and approved by the EFRAG Technical Expert Group. The EFRAG Technical Expert Group is comprised of 12 voting members, selected from a range of professional and geographical backgrounds throughout Europe. EFRAG Technical Expert Group members devote 30% to 50% of their time – free of charge – to EFRAG, except for EFRAG's full-time Chairman, Françoise Flores, whose services are paid by EFRAG.

The Chairs of the French, German, Italian and UK Standard Setters are non-voting members of the EFRAG Technical Expert Group. Furthermore, the European Securities and Markets Authority (ESMA), the IASB and the European Commission attend EFRAG Technical Expert Group meetings as observers.

Aiming for well-balanced and independent technical positions.

Voting members of the EFRAG Technical Expert Group are appointed through a formal process. The process starts with an open call for candidates, and the selection process has regard to the knowledge and experience of candidates, in addition to the need to establish a broad balance in geographical and professional backgrounds. As a result, the EFRAG Technical Expert Group is composed of a mix of preparers, auditors, users of financial statements and academics, to ensure its deliberations and its conclusions are independent and not unduly influenced by any interest group or constituency. Members of the EFRAG Technical Expert Group are required to act in the European public interest, and not to consider themselves as representing industry or national interests.

Well-informed technical positions

The EFRAG Technical Expert Group benefits from expert advice in specialist areas provided by EFRAG working groups, such as the EFRAG Financial Instruments Working Group, the EFRAG Insurance Accounting Working Group, the EFRAG Rate-regulated Activities Working Group and the EFRAG SME Working Group. Essential to the work of EFRAG is input received from EFRAG's User Panel. The purpose of the Panel is to provide broad input from users to the EFRAG Technical Expert Group.

EFRAG works closely with National Standard Setters in Europe, meeting with them every three months in the EFRAG Consultative Forum of Standard Setters, and working with them and the IASB to organise and conduct outreach events and field tests to seek views from constituents. Strong and regular coordination with the National Standard Setters of France, Germany, Italy and the UK has proven particularly effective since 2011, and has materialised in influential joint proactive work and meaningful findings resulting from field work undertaken in cooperation.



Building strong influence beyond the borders of Europe

EFRAG enjoys a constructive relationship with the IASB in many ways: EFRAG welcomes IASB members and staff as observers to the EFRAG Technical Expert Group's meetings; EFRAG staff cooperates with the IASB staff on a frequent basis; the IASB participates in outreach events and field tests organised by EFRAG in partnership with National Standard Setters in Europe. EFRAG is a participant in the IFRS Accounting Standards Advisory Forum.

EFRAG is a member of the International Forum of Accounting Standard Setters (IFASS) and has bilateral relationships with regional or national groups interested and involved in IFRS development. EFRAG also participates in the World Standard Setters meeting. EFRAG is a member of the IFRS Advisory Council and it is represented by its Chairman Françoise Flores.

EFRAG's early stage proactive agenda is decided by the EFRAG Planning and Resource Committee. The EFRAG Planning and Resource Committee reflects the extent of cooperation between EFRAG and National Standard Setters in Europe to pool, as much as possible, European resources engaged in influencing, from a European perspective, the future development of IFRS. The EFRAG Planning and Resource Committee is populated with four members of the EFRAG Supervisory Board, the Chairs of four National Standard Setters (from France, Germany, Italy and the UK) and the EFRAG Chairman. The European Commission participates as an observer. Since the middle of 2012, other National Standard Setters are entitled to participate in the meetings as observers with speaking rights.

The EFRAG Planning and Resource Committee sets the agenda for proactive work. Development of discussion papers and other outputs is entrusted to the EFRAG Technical Expert Group in close coordination with the Boards of the National Standard Setters that are partners in each project. The EFRAG Planning and Resource Committee provides guidance on the allocation of available resources to proactive projects, and monitors progress. Proactive work is guided by EFRAG's 2010 Strategy for proactive activities, *Focus on Improvement*.

The work of EFRAG is overseen by an independent Supervisory Board.

The EFRAG Supervisory Board's main duties include selecting membership, and overseeing the work, of the EFRAG Technical Expert Group and the EFRAG Planning and Resource Committee; monitoring cooperation with National Standard Setters; and ensuring proper funding for EFRAG.

The EFRAG Supervisory Board consists of senior professionals and leaders with an interest in the global development of financial reporting and with an appropriate balance of professional backgrounds, including users, preparers and accountants, and geographical spread. All EFRAG Supervisory Board members act in a personal capacity, and are committed to acting in the European public interest, independent of their professional or sectorial affiliation. The European Commission and the European Securities and Markets Authority (ESMA) are observers at EFRAG Supervisory Board meetings.

The EFRAG Supervisory Board is appointed by the EFRAG General Assembly, following recommendations from the EFRAG Governance and Nominating Committee. This Committee is composed of four representatives of Member organisations and three representatives from the National Funding Mechanisms.

Transparency and due process characterise the work of EFRAG.

EFRAG has established an open and transparent due process, which allows and encourages European constituents to provide input for the consideration of EFRAG.

The EFRAG Technical Expert Group and the EFRAG Supervisory Board operate similarly.

EFRAG's transparency and independence are mainly achieved by:

- holding all discussions in public meetings; publishing meeting agendas and summaries on the EFRAG website;
- seeking early input from National Standard Setters in Europe and EFRAG working groups;

- publishing EFRAG preliminary positions, with an open call for comments, regardless of whether these relate to due process documents issued by the IFRS Foundation, the IASB or the draft endorsement advice to support the European endorsement process;
- publishing all comment letters received on EFRAG draft positions and publishing EFRAG final positions, including presentation of the basis for the EFRAG Technical Expert Group's conclusions for the endorsement advice and reasoned positions for comments to the IASB;
- publishing feedback statements to report on how EFRAG reached its final positions;
- issuing an invitation for comments on all discussion papers published as part of EFRAG's proactive work;
- organising outreach events, field tests and special surveys to assess the effects of proposed standards in cooperation with the National Standard Setters in Europe and in coordination with the IASB, during EFRAG's due process period, followed by the publication of feedback statements.

EFRAG maintains contact with the European Commission directly and also through the Commission's role as an observer in all EFRAG meetings. EFRAG is an official observer at the Accounting Regulatory Committee (ARC). EFRAG organises, together with the European Commission, the Brussels-based European outreach events in the form of public hearings.

The EFRAG secretariat provides support for all activities of EFRAG.

EFRAG's governance as described above will be fundamentally modified following the implementation of the Maystadt reform.

The Maystadt Reform



Background

The Maystadt report was published early November 2013, following the mandate given to Philippe Maystadt as adviser of Commissioner Barnier in March 2013. At the ECOFIN Council meeting of 15 November 2013, Philippe Maystadt presented to the Finance Ministers his recommendations for enhancing the EU's role in international accounting standard setting. Those recommendations received wide support from the Member States.

In February 2014, Commissioner Barnier prolonged Philippe Maystadt's mission in order to supervise the appropriate follow-up and implementation of EFRAG's reform. The extended mission of Philippe Maystadt has facilitated the swift implementation and ensures an adequate and timely follow-up of the EFRAG reform.

Contents of the Maystadt Report

The report reveals consensus in Europe on the commitment to global quality accounting standards, i.e. IFRS. In relation to the endorsement process, there is also wide support for maintaining the current "standard by standard" adoption procedure, i.e. keeping the binary possible outcome of either adopting or rejecting standards. The recommendation is made that every standard should be assessed to ensure that the financial reporting requirements are not endangering financial stability and not hindering economic development. These two criteria could be either part of an interpretation of the current regulation as to whether standards are conducive of the European public good or be formally included as criteria in the IAS Regulation.

EFRAG's mandate should be widened so that its endorsement advice be accountable of these supplementary assessments being conducted in

addition to the current assessments from a sole financial reporting perspective, i.e. whether the standards are consistent with the true and fair view principle.

Recommendations 4 and 5 address the funding of EFRAG. In the long term, a compulsory levy is envisaged on all listed companies; whereas, in the short term, countries that have not yet set up a National Funding Mechanism are encouraged to do so to contribute to the funding of EFRAG.

To bring EFRAG in the capacity of serving a widened mandate and to support EFRAG's positions with increased legitimacy, the report recommends changes in the governance of EFRAG. These changes include:

- Extending the EFRAG membership to include National Funding Mechanisms and other private and/or public organisations that contribute to EFRAG financially or in kind.
- Entrusting to a high-level Board the approval of all EFRAG's positions and endorsement advice letters, this high level Board relying on the advice provided by the EFRAG Technical Expert Group and on the results of enhanced effect study and other field work. According to the report, this new Board would be comprised of three pillars: European public institutions, stakeholders (i.e. private European organisations) and National Standard Setters, each party nominating representatives that are at a high level and preferably to meet pre-defined criteria.
- The existing Technical Expert Group will continue and be a committee supporting and advising the new Board. EFRAG TEG would continue to include part-time experts who should be active

practitioners with diverse professional experience and from diverse geographic origins. At least four of those experts should come from the National Standard Setters, provided they meet the expertise criteria.

- Maintaining the EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) in its current role and composition. This includes the preparation of the IASB Accounting Standards Advisory Forum (ASAF) meetings to provide input to the European delegation at the ASAF.

EFRAG, and therefore its Member Organisations, have to implement those recommendations as they require changes to the statutes and internal rules of EFRAG, something which lies within the competence of the current EFRAG General Assembly.

Our Annual Review 2014 will detail the implementation phase. For more information, please refer to the EFRAG website www.efrag.org

IFASS meeting



In September, EFRAG was pleased to contribute to the important work of the International Forum of Accounting Standard Setters (IFASS) by hosting its meeting. More than 30 countries and regions of the globe were represented with an attendance of over 70 participants. Over two days, the meeting was the opportunity for a constructive exchange of views on current developments in financial reporting. EFRAG hopes that it was also the opportunity for participants to discover Brussels, at the heart of Europe.

EFRAG Acting Research Director Hans Schoen made a presentation on the role of the business model in financial reporting, which spurred a lively debate among participants. EFRAG Senior Technical Manager Rasmus Sommer introduced Bulletins published by EFRAG and its partners - the National Standard Setters from France, Germany, Italy and the UK - on the issues of Reliability and Uncertainty, as part of their proactive initiative in "Getting a better Framework". The UK FRC Research Director introduced the common view reached by EFRAG and its partners that prudence should be reintroduced as best serving relevance and reliability in financial reporting. The IFASS experienced its first break-out sessions, and prudence proved quite a good subject to stimulate debate. Representatives from Germany, Italy, Korea, Australia and India presented on other topics of common interest.

IFASS bi-annual meetings are an effective way to improve EFRAG's international role and networking to share best experiences with other jurisdictions outside the EU. For instance, it was at a past IFASS meeting that it was decided to start the current joint project with OIC and the Accounting Standards Board of Japan on the subsequent measurement of goodwill. It was after EFRAG presented at an IFASS meeting that the FASB asked to join forces with EFRAG and its partners on the Disclosure Framework.



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EFRAG objectives

- Ensuring full participation of European stakeholders in the technical debate supporting the development of IFRS and expressing the technical European view throughout the IASB standard-setting process;
- Engaging European stakeholders in the analysis of and debate on emerging financial reporting issues by coordinating and carrying out proactive accounting activities;
- Providing endorsement advice to the European Commission on the acceptability of International Financial Reporting Standards (IFRS) in Europe;
- Advising the European Commission and organising for changes to the accounting directives and related topics.

Message from the Chairman of the EFRAG Supervisory Board



Hans van Damme
EFRAG Supervisory Board / Acting Chairman

In his speech delivered on 11 October 2012 at the joint EFRAG-IFRS Foundation conference, Olivier Guersent, Director of Cabinet to Commissioner Barnier, had set the scene for the major reform of EFRAG, announced to take place in 2013. "Today" he said "EFRAG has become a body which is globally recognised for its technical expertise, but the expectations of European constituents have also evolved. Time has maybe come to beef up EFRAG to integrate all public policy considerations in the endorsement process". In 2013, it is only fair to say that the EFRAG Supervisory Board has concentrated most of its efforts supporting European institutions write the next chapter of EFRAG's history. EFRAG has indeed actively contributed to the mission of Philippe Maystadt, appointed Special Adviser by Commissioner Barnier, and entrusted with the task to formulate recommendations on how Europe should organise itself to gain further influence in the development of IFRS. Two series of recommendations were provided by EFRAG to Philippe Maystadt respectively in July 2013, to reflect the Supervisory Board's thoughts on the development, and at the end of September in response to his draft report. The process also involved meetings with most of the stakeholders who were contributing to EFRAG's reform during September and to meet EFRAG's due process requirements. In the course of November, once the Maystadt final recommendations had been approved by the ECOFIN and made public, EFRAG planned and organised to implement the Maystadt reform as expeditiously as feasible, so as to meet European stakeholders' expectations without delay. The anticipation is that this process can be completed before the summer break.

Drawing legitimacy from an institutional representation rather than relying solely on expertise and due process

The Maystadt reform represents a major shift in EFRAG's governance model that is expected to bring to EFRAG the legitimacy various European stakeholders said it required to embody the "Voice of Europe in Financial Reporting". Up to this reform, the various enhancements had not changed the basic governance model that had been opted for at the outset of EFRAG in 2001. To date, EFRAG has been relying on a group of independent experts deciding on all EFRAG technical positions after having run a thorough due process under the oversight by a Supervisory Board in charge of strategy, governance and funding. All these years, EFRAG's basic governance model was quite similar to the governance of the IFRS Foundation.

Once the Maystadt reform will have been implemented, EFRAG will have transformed into an organisation as inclusive and representative as possible, drawing its legitimacy not only from its due process but equally from the composition of the EFRAG Board. Final decision-power will be concentrated in the EFRAG Board, with any possible supervision having to be exercised by the EFRAG General Assembly. EFRAG Technical Expert Group will continue to best serve the technical credibility of the organisation, albeit as an advisor to its Board.

This Maystadt reform is therefore not just another reform of EFRAG, it gives birth to a new and fundamentally different organisation.

Reflecting a private-public partnership in EFRAG

From a legal point of view, EFRAG continues to be a private association set up in accordance with Belgian law and serving the public interest. The reform, however, reflects in the membership of the Association, and even more in the EFRAG Board membership, the partnership within which European organisations representing private stakeholders in Europe and National Standard Setters will be working. This joint effort will aim at best serving the European public interest. In the current organisation, National Standard Setters are closely involved in the work of EFRAG. With the reform, they take ownership of, and responsibility for, the organisation together with the current Member Organisations and others. This partnership will also embrace a wider mandate, with the responsibility for assessing not only whether IFRS meet the true and fair view principle, but also how the reporting standards may interact with public policy considerations, such as economic growth and financial stability in Europe. European Supervisory Authorities (ESMA, EBA, EIOPA) and the ECB have indicated that they will very actively contribute to the work of EFRAG, even though they will join the EFRAG Board in an observer capacity only. It is expected that the new EFRAG will increase its accountability towards the European Parliament, and more generally towards European institutions, in appointing a President suggested by the European Commission and approved by the Council of Ministers and the European Parliament.

Serving the objective of Europe speaking with one voice

It has been a long-standing ambition of the European Commission that Europe should “speak with one voice”. The consensus-based decision-making process of the future EFRAG Board should help EFRAG come as close as possible to meeting this objective. This is an important objective being built on the conviction that the more cohesive Europe will be, the more influence we will all gain. To support as much cohesiveness as possible, all European stakeholders, and more particularly all organisations that are directly involved in the new EFRAG, would be encouraged to voice different views in the IASB’s consultation process only when consensus would not have been reached and limiting their contribution to the IASB to dealing with significant areas of divergence with the EFRAG position. In doing so, everyone would give some chance to the ambitious objective of having a truly cohesive Europe participate in the development of IFRS. This requires from every participant to be dedicated to first and foremost serving the European public interest.

Widening EFRAG’s mandate to encompass public policy considerations

Over time, EFRAG’s increasing effectiveness has made Europe more influential in the IFRS technical debate, and concerns have been raised that EFRAG’s mandate was limited to participating in the IFRS debate with the improvement of financial reporting as a single focus. As a result, and given their potential impact, public policy considerations were not deemed to play the role they should play in the process. These considerations should certainly be covered in the endorsement process to start with. This, in the view of many, was too late and left Member States with the unfortunate choice to either adopt a standard that was not deemed to best serve the European

public interests or step out of IFRS. Influence from an economic policy perspective should be exercised in a proactive manner. The widening of EFRAG’s mandate in this respect is expected as one of the main outcomes of the Maystadt reform. In all its activities, EFRAG should in the future not only continue to serve the highest quality of financial reporting, but also ensure that accounting requirements are not hindering economic growth or financial stability in Europe. For EFRAG, it will mean developing new skills and approaches. EFRAG’s current field work policy has been identified in Mr Maystadt’s report as deserving to be continued and expanded to support EFRAG fulfilling the whole breadth of its new duties.

Learning the intricacies of EU grant agreements

As from 2010 the European Commission participates in the funding of the EFRAG activities. Part of the requirements under such grant is an inspection on the proper spending to ensure public oversight. In 2013, the EFRAG Supervisory Board has not only been active in helping shape the future of the organisation, it also had to deal with the consequences of such inspection in the course of the summer. The European Commission concluded that in the period 2010-2013 EFRAG had contracted some service contract that would not be eligible to European public funding. EFRAG was therefore asked to reimburse part of the funding received in 2010 and 2011 and denied the recovery of part of the claims for 2012 and 2013. This has resulted in a reduction of EFRAG’s accumulated reserves by 1,2 M€, as further explained in the notes to the financial highlights.

Monitoring EFRAG’s cash position closely

In the course of 2013 and until its claim was fully accepted, the European Commission could not sign the 2013 grant agreement. The grant agreement was only signed in October 2013 and this delay stretched EFRAG’s cash resources close to their limit.

Furthermore, the EU Financing Regulation 2014-2020 was under discussion at the European Parliament and the trilogue did not reach agreement until December 2013. The EFRAG Supervisory Board had to deal with these uncertainties that were challenging EFRAG’s ability to continue its operations. At the time EFRAG’s 2013 accounts were closed, and the Maystadt’s reform was well under way of being implemented, the EFRAG Supervisory Board was satisfied that the overall situation was back to normal.

Throughout these developments, some enhancing the role and status of EFRAG, and others supporting the assessment that EFRAG deserves greater stability in its funding going forward, the EFRAG teams have faced challenges in the best manner possible. The technical work has not suffered from the hard work that needed to be put in place to face the challenges mentioned above. I wish to express my appreciation for the involvement of my fellow EFRAG Supervisory Board Members, and more particularly to those Members that participated in the “Maystadt Review Task Force” for their time and commitment. Furthermore I would like to express high appreciation for the support we have received from the EFRAG Secretariat. I also wish to express my appreciation to the EFRAG technical teams and all EFRAG TEG members who have continued to deliver very steadily high-quality contributions to the development of IFRS, keeping EFRAG’s technical activities undisturbed. I trust that with the Maystadt reform in place, EFRAG will enjoy the legitimacy and stability in its institutions that will make Europe stronger in the development of IFRS while retaining its current high quality with the support of all team members.

Report of the EFRAG Chairman Françoise Flores



Françoise Flores
EFRAG Chairman

Unlike 2012, 2013 has been a year of significant progress by the IASB, not only in the four major IFRS projects, Revenue Recognition, Financial Instruments, Insurance and Leases, but also in the revision of the Conceptual Framework and in serving the objective of increased consistency in the application of IFRS. 2013 has also been the first year in operations for the newly formed IFRS ASAF (Accounting Standards Advisory Forum) and EFRAG is pleased to report that it is proving to be an effective discussion forum. This report outlines whether progress achieved to date meets EFRAG's expectations: via its participation in the IASB's due process; within its own proactive activities; and contributing to future IFRS perspectives.

Progress made in the completion of the Revenue Recognition, Financial Instruments, Insurance and Leases standards

Early 2013, EFRAG finalised its consultation and comments on the IASB Review Draft of the General Hedge Accounting model. This public fatal flaw review process proved, in EFRAG's view, a very positive experiment. It helped dismiss a few misunderstandings between the IASB and its constituency and led to the identification - thanks to EFRAG's due process - of the need to leave an option to continue applying IAS 39 until macro-hedge accounting requirements would be available.

On the basis of this positive experiment, EFRAG recommended that the IASB should undertake a public fatal flaw review of the Revenue Recognition standard which was said to be close to being published early in 2013. The IASB denied the possibility of undertaking such a fatal

flaw review because of the need to have the standard published by the end of June 2013. The final standard is now likely to be published in the second quarter of 2014 and EFRAG believes that this will remain a missed opportunity for increasing the level and substance of the IASB's quality control over one of the key IFRS.

On the three other projects, Financial Instruments, Insurance and Leases, EFRAG undertook a full due process in 2013, commenting on the series of exposure drafts that the IASB published, either end of 2012 or in the course of 2013. EFRAG's due process was enhanced with field tests of the proposals. EFRAG's recommendations supported by its due process have not significantly varied from what they have been throughout the development of those projects.

When considering classification and measurement of financial instruments, EFRAG continued to promote a more principle-based approach to the finalisation of IFRS 9, and suggested that the IASB identify, and cater for, a long-term investment business model. EFRAG based its recommendations on comments received from a series of long-term investors, specific outreach to constituents and the analysis of comments received by the European Commission in its consultation on the Green Paper Long-term Investment. EFRAG's approach had - inter alia - the merit of providing linkage between insurance contract and financial instrument accounting and of rationalising the presentation of changes in fair value through other comprehensive income. In doing so, it contributed to making IFRS 9 more neutral towards investments in either debt or equity instruments.

EFRAG reiterated also its recommendations to better define the scope of lease accounting, so

that the IASB achieves the goal of bringing financing arrangements onto the balance sheet of lessees, leaving arrangements that are more akin to service contracts to be dealt with as executory contracts, even though they would involve the use of an asset. EFRAG also concluded that lessor accounting be affected by only minimal changes - at least in the near future - and that reaching an acceptable cost/benefit trade-off was paramount in this project.

Finally, EFRAG contributed very actively to considering the latest IASB proposals for insurance accounting. A lot of convergence of views between Europe and other jurisdictions seemed to emerge, as most of EFRAG's recommendations appear widely shared by constituencies outside of Europe and EFRAG therefore hopes for a positive outcome in this project.

EFRAG field work policy has been formalised and published

As indicated above, EFRAG strengthened its due process by conducting field tests on the IASB proposals that were organised and coordinated with National Standard Setters in Europe, and more particularly with the National Standard Setters of France, Germany, Italy and the UK. Field tests are essential to better assess the effectiveness, understandability, possible impacts and cost/benefit trade-off of IASB proposals. EFRAG formalised and published its field work policy in July 2013 so as to better inform European stakeholders of the objectives of such a policy, and of the end goal: to participate in an effort coordinated by and with the IASB, instead of remaining a front-runner. The EFRAG field work is bound to develop further following the implementation of the Maystadt reform and the subsequent widening of EFRAG's mandate.

EFRAG's contribution to the revision of the IASB Conceptual Framework

For many years, EFRAG had recommended that the IASB should revise its conceptual framework so as to build understanding and acceptance by European stakeholders (and others) of the accounting model underlying its standard-setting efforts. Several proactive projects initiated in 2011 were meant to contribute to the revision of the IASB conceptual framework: "Understanding better how financial statements are used by capital providers" was meant to provide a better basis to assess whether developments in IFRS were likely to meet their goal of providing more relevant information to users. In December 2013, EFRAG and ICAS jointly issued the results of an academic literature review they commissioned to that purpose. Based on these joint efforts, EFRAG issued shortly thereafter a paper outlining lessons to be learned by standard setters. EFRAG, the ANC and FRC, also undertook to consider whether and how the business model should play a role in financial reporting. These efforts culminated with the publication of a Research paper at the end of December 2013.

However, EFRAG did not limit its contribution to these long-term efforts. Together with the four National Standard Setters of France, Germany, Italy and the UK, a strategy paper was issued early 2013 explaining to European stakeholders how EFRAG and its partners intended to contribute proactively to the revision of the Conceptual Framework. This has been followed by the publication of a series of so-called "bulletins" each dealing with a specific financial reporting issue: prudence, accountability, the role of the conceptual framework, the role of the business model, complexity, the asset-liability approach, reliability and uncertainty. This series of very short papers has proven effective in stimulating debate in the international arena, as they have been used to support sessions in both ASAF and IFASS meetings. They were also meant to attract European stakeholders in the conceptual

framework debate, illustrating the possible impacts of driving the conceptual framework in one or the other direction.

From a European perspective, it is essential that the revision of the conceptual framework progresses according to plan, including significant developments in measurement and performance reporting, both being considered in interrelation with each other. If this should not be (or were not) the case, the IASB would not meet the long-standing European expectations. The conceptual framework is to be considered as a living document and therefore can evolve over time; it should be in sync with the accounting model being reflected in the IASB standard-setting efforts. From an EFRAG perspective, this aspect is key in supporting understanding and acceptance of IFRS in Europe. EFRAG has therefore overall welcomed the pragmatic approach adopted by the IASB and does not support the call for the conceptual framework being of "aspirational" nature, as is reflected in some contributions the IASB has received.

EFRAG contribution to the IASB efforts to improve consistent application of IFRS

EFRAG remains quite supportive of the IASB's objective to engage in maintenance activities that best support consistent application of IFRS. EFRAG has therefore welcome the revised strategy of better taking into consideration requests put forward by constituents to help solve difficulties encountered in practice. In EFRAG's view, such efforts remain valid contributions to the overall quality of IFRS compliant financial reporting and should be pursued, even though the SEC is no longer expected to decide on the adoption of IFRS for US domestic issuers.

Meeting this objective should not, however, be at the expense of moving IFRS to a rule-based set of standards. Early 2013, EFRAG expressed significant concerns when a flow of narrow-scope amendments started to emerge from the work of

the IFRS IC, each being considered separately, or even worse, being set in contradiction with some recently clarified, well understood and well-accepted principles. EFRAG noted, for example, that difficulties arising in practice with the use of the equity method were originating from the lack of clear identification of what the equity method is meant to achieve in practice. As a result, EFRAG issued early January a paper as part of the EFRAG Short Discussion Series highlighting the need for clarification and how it can be undertaken in a manner consistent with a set of principle-based standards. EFRAG believes that if the IASB would supplement the current IAS 28 with appropriate clarification at that level, issuers would be in a position to apply the standard in a consistent manner. Narrow-scope amendments call for further narrow-scope amendments: with guidance piling up, the understanding of underlying principles is progressively lost, so-called "practical expedients" being quite difficult to rationalise in practice. In 2014, EFRAG will undertake to assist the IASB in re-thinking their approach to achieving greater consistency in practice. The EFRAG Short Discussion Series has been assigned inter alia the objective of addressing issues that would justify limited maintenance decisions by the IASB and are achievable without major overhaul.

Supporting the European Delegation to the IFRS Accounting Standards Advisory Forum (ASAF)

Participating in the IFRS Accounting Standards Advisory Forum, EFRAG had set the objective that more particularly in the early days of a project it should help different views held in Europe reach the discussion table before a full due process is run and EFRAG's position is formed and communicated. The natural forum to prepare the ASAF meetings is the EFRAG Consultative Forum of Standard Setters whose members are Standards Setters in the European Economic Area. EFRAG staff plays a key role in the preparation of the meetings, liaising with most standard setters to bring support for early local deliberations of

the issues which are expected to be discussed in ASAF meetings. The UK, German and Spanish Standard Setters which are also ASAF members participate in the EFRAG CFSS meetings. This preparatory work helps prepare a well coordinated and informed European delegation so that Europe is duly represented in all ASAF meetings. Feedback sessions are held a few days after ASAF meetings to report back on the discussions.

Developing international relationships further

EFRAG had expected that the creation of the Accounting Standards Advisory Forum would lessen the need to entertain bilateral relationships with regional groups or major National Standard Setters. To the opposite, regular meetings within the ASAF have enhanced the informal bilateral relationships that EFRAG had developed in the past few years. EFRAG is now enjoying regular and more formalised meetings notably with

the FASB (US Standard Setter), the ASBJ (Japanese Standard Setter) and the CASC (Chinese Standard Setter). These meetings serve as in-depth exchange of information and views, so as to better contribute to ASAF discussions. AOSSG (Asia Oceania Standard Setter Group) and GLASS (Group of Latin America Standard Setters) have also expressed the objective of liaising more with EFRAG. EFRAG is ready to develop all its international contacts further in 2014. The Maystadt review enhancing EFRAG's mandate and status will allow EFRAG to build on the strongly established technical credibility of EFRAG to develop EFRAG's international relationships further, including at political level.

Developing EFRAG's technical skills

After years of efforts in building up a strong, well-trained technical staff, and more particularly in the last four years when EFRAG benefited from the EU public funding, EFRAG has gathered,

end of 2013, the targeted number of skilful and knowledgeable staff members that allows for supporting an active, constructive and influential contribution to the development of IFRS. This has been accomplished under the coordinated management of EFRAG Directors.

I wish to take this opportunity to compliment every member of the EFRAG team for the excellent work accomplished in 2013 and to the EFRAG management team for the quality of its leadership.

I wish to add a special mention of appreciation for the outstanding contribution that Pieter Dekker, EFRAG Technical Director, brought to EFRAG in the four years he dedicated to the EFRAG work before moving on with his career in April 2014. We wish him all the best in his future endeavours!



The new EFRAG is ready to emerge from the Maystadt reform,
**LET'S PAY TRIBUTE TO THOSE WHO MADE EFRAG
 ONE OF THE LEADING FORCES
 IN THE IFRS INTERNATIONAL AREA!**

EFRAG Chairmen & TEG Chairmen



Johan van Helleman



Stig Enevoldsen



Françoise Flores

EFRAG Technical and Research Directors



Paul Ebling



Mario Abela



Pieter Dekker



Hans Schoen

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 UK ASB - Ian Mackintosh | Roger Marshall
 German ASCG Klaus Pohle | Harald Wiedmann | Liesel Knorr
 Italian OIC Angelo Casó

TECHNICAL DIRECTORS

Paul Ebling | Pieter Dekker

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EFRAG SECRETARIAT



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Exercising Thought leadership

EFRAG Proactive Work

EFRAG proactive work, that is developed primarily in partnership with the European National Standard Setters, aims at engaging European stakeholders in analysing and discussing areas of financial reporting identified as in need for improvement in a practical manner. It provides Europe with the opportunity to contribute to the development of accounting on selected topics

In 2013, EFRAG concentrated its main proactive efforts in projects that were meant to contribute to the revision of the IFRS Conceptual Framework, a project that has long been considered by European constituents as having high priority. To this aim, EFRAG finalised two projects undertaken in 2011, the first one being devoted to better understanding the financial reporting needs of various European capital providers; the second one considering the role that the business model should play in financial reporting. EFRAG also made further progress on its Disclosure Framework project. In addition to these long-term projects, EFRAG undertook with the Standard Setters of France, Germany, Italy and the UK a series of so-called "bulletins" to stimulate debate on particular directions the IASB should take or issues it should consider as part of the revision of the Conceptual Framework. EFRAG and its partners' work on these topics have attracted a lot of interest in Europe and beyond and have been widely discussed in 2013 in international technical fora, more particularly at the ASAF and IFASS meetings. EFRAG also made progress in its project devoted to separate financial statements under IFRS.



*Hans Schoen
EFRAG Acting Research Director*

Long term projects contributing to the revision of the IFRS conceptual framework

Capital Providers' Use of Financial Statements

In June 2011, EFRAG launched a pro-active project on understanding how capital providers use financial statements. The aim of the project was to shed light on how various types of European capital providers use financial information for decision making, and how they process and analyse this information. Enhancing understanding of this use is essential to help the IASB meet the needs of capital providers, as is set in the objectives of IFRS. End of 2013, EFRAG published the results of the academic literature review that it conducted jointly with ICAS. The literature review helps identifying insights useful for accounting standard setting. EFRAG published those insights early January 2014 as part of its newly launched EFRAG Short Discussion Series. The academic team to whom EFRAG and ICAS entrusted the literature review presented the results at the IASB early 2014.



The Role of the Business Model in Financial Reporting

Early 2013, EFRAG and its project partners the French ANC and UK FRC, were looking at the finalisation of the Discussion Paper which was the first significant output in considering whether the business model should play a role in financial reporting. As the finalisation was taking place at the same time as the IASB was progressing towards publication of its first proposals for the revision of the conceptual framework, EFRAG thought that debate had to be stimulated on this issue in advance of the publication of the Discussion Paper under preparation. Proposal was put to its partners, including the ASCG and OIC, to issue a bulletin devoted to the role of the business model in financial reporting. The bulletin was written in the form of an executive summary of the forthcoming Discussion Paper and was issued in the first half of 2013. Subsequently, work resumed on the more detailed Discussion Paper which was published in December 2013. Among the preliminary views it set for the revision of the conceptual framework, the IASB affirmed that the business model should play a role in financial reporting. In 2014, EFRAG and its partners will carefully analyse comments received and will therefore be in a position to further contribute to the IFRS Conceptual Framework on this topic.





A Disclosure Framework for the Notes to the Financial Statements

EFRAG, in partnership with the French ANC and the UK FRC, published in July 2012 a Discussion Paper to set the basis for a framework for improving the relevance of the notes to the financial statements. In January 2013, EFRAG was pleased to see the IASB start their “Disclosure Initiative”, a positive follow-up to the work of EFRAG and its partners. EFRAG delivered presentations on this topic at the IFRS Advisory Council and in the IASB discussion forum. The main messages from the European Discussion Paper (DP) have been included in the Feedback Statement published by the IASB.

EFRAG and its Partners received approximately 50 comment letters on the DP, from a wide range of European and non-European constituents. At the IFASS meeting in Sao Paulo in April 2013, EFRAG presented preliminary feedback to IFASS members. In May 2013, EFRAG approved and released its feedback statement.

Further work is accomplished on this topic, with the active participation of the European delegation in the ASAF and in contributing to what has now become an active project of the IASB. In 2014, EFRAG will make its best efforts to have the IASB make significant progress in requiring disclosures which foster relevance.

Getting a better Conceptual Framework

Early 2013, EFRAG and its Partners - the National Standard Setters of France (ANC), Germany (ASCG), Italy (OIC) and the UK (FRC) - published a short paper describing their strategy on the revision of the Conceptual Framework. To stimulate European debate on the Conceptual Framework project, the Partners decided to issue short Bulletins each discussing specific issues that they thought the IASB should address in the revision of the conceptual framework to ensure that areas which had caused misunderstandings between the IASB and European constituents would all be appropriately debated – and positively concluded - in the course of this fundamental project.

In 2013, the Partners issued seven newsletters and bulletins on the following topics:

- Accountability and the objective of financial reporting;
- Prudence;
- Reliability of financial information;
- The asset/liability approach;
- The role of a conceptual framework;
- The role of the business model in financial reporting; and
- Uncertainty.

Early 2014, an additional bulletin dealing with complexity in financial reporting was published. EFRAG and its Partners are satisfied that the short bulletins contributed to the various issues attracting a lot of interest and stimulating debate in Europe and beyond. The debate highlighted that on issues such as prudence, reliability, stewardship and the role of the business model, the IASB has to face two schools of thought, whether they turn to Europe, Japan and China or hear from Australia and Canada. The next step in the revision of the Conceptual Framework by the IASB, namely the publication of an exposure draft, will show whether EFRAG and its Partners have been successful in their endeavours.





Separate Financial Statements prepared under IFRS

The project on Separate Financial Statements, which was launched by EFRAG in June 2011, is a partnership between EFRAG, the OIC, the ICAC and the DASB. This project is of particular relevance to those Member States in Europe who have required, or permitted, that parent company annual accounts be prepared in compliance with IFRS. Outreach events, which started in November 2012, were finalised in 2013 and provided practical insights both from a users' and preparers' perspective.

Issues raised include the measurement of investments in subsidiaries, joint ventures and associates, and the methods of accounting for business combinations under common control (BCUCC) in the separate financial statements. The discussions and related analyses are helping in the development of a Discussion Paper that is expected to be issued in the first half of 2014.

Emission Trading Schemes

In 2012, EFRAG had identified emission trading schemes as deserving some proactive work. Since IFRIC 3 was rejected by the European Union and subsequently withdrawn, various practices have developed in Europe. Whilst most practitioners are rather happy with the reporting they have adopted, emission trading schemes is an area where room for greater comparability is warranted. In 2012, EFRAG had issued a draft comment paper, selecting as initial basis for developing its thinking the proposals put forward by the French Standard Setter, the ANC. This initiative triggered debate in Europe and beyond, EFRAG preliminary thinking being presented and subject for debate in IFASS in April 2013. EFRAG received a series of useful comments and recommendations on its preliminary views that have been duly reflected in a feedback statement issued late 2013. As the IASB is now getting active on its Research project in this area, EFRAG wishes to pursue its efforts in close coordination with the IASB.

Anticipating the post-implementation review of IFRS 3 "Business Combinations"

In the very early days when the IASB was said to soon undertake a post-implementation review of IFRS 3 "Business Combinations", EFRAG and the OIC decided that they should anticipate the effort and test whether the elimination of the amortization of goodwill and the move to an impairment-only model was deemed having brought improvement in financial reporting of business combinations. This has led EFRAG and OIC to launch a survey in 2012 and report on the results thereof in a specific feedback statement published in 2013. The survey showed quite a variety of views as to whether the move had been made in the right direction, but whatever the position expressed the current requirements were deemed to remain in need for improvement. The effort had triggered interest from outside Europe, notably from the ASBJ, the Japanese Standard Setter and the Indian Institute. In 2013, it was agreed to move the effort further and to investigate what could be done to support improvement after the IASB would have concluded its post-implementation review. A paper is being developed as a joint effort of the OIC, ASBJ and EFRAG, that considers various options, including how the impairment tests and disclosures could be improved to increase the information content of goodwill. The paper is expected to be published in 2014.

EFRAG Planning and Resource Committee

The EFRAG Planning and Resource Committee reflects the extent of cooperation between EFRAG and National Standard Setters in Europe, aiming at pooling, as much as possible, European resources engaged in influencing, from a European perspective, the future development of IFRS.

The EFRAG Planning and Resource Committee consists of up to four members of the EFRAG Supervisory Board, the Chairs of four National Standard Setters (from France, Germany, Italy and the UK) and the EFRAG Chairman. The European Commission participates as an observer. Since the middle of 2012 other National Standard Setters are entitled to participate in the meetings as observers with speaking rights.

The EFRAG Planning and Resource Committee sets the agenda for the proactive work resulting in the issuance of discussion papers and other outputs. The technical content of the discussion papers is the joint responsibility of EFRAG Technical Expert Group and the National Standard Setters that are partners in the specific project. The EFRAG Planning and Resource Committee provides guidance on the allocation of available resources to proactive projects and monitors the progress of the work concerned. The objective of the proactive work is to involve European stakeholders at an early stage in defining improvements to financial reporting so as to influence the IASB.



Adriana Dutescu
EFRAG SB Member



Peter Sampers
Chairman of the EFRAG PRC / EFRAG SB Member



Robin Jarvis
EFRAG SB Member



Liesel Knorr
ASCG Chairman



Jérôme Haas
ANC Chairman



Roger Marshall
FRC AC Chairman



Angelo Casó
OIC Chairman



Françoise Flores
EFRAG Chairman



EFRAG would like to thank Hans van Damme and Patrice Marteau for their contributions on the EFRAG PRC.

PROACTIVE PROJECTS	PARTNERS
• Capital Providers' Use of Financial Statements	EFRAG - ICAS (Institute of Chartered Accountants of Scotland)
• The Role of the Business Model in Financial Reporting	EFRAG - ANC - UK FRC
• A Disclosure Framework for the Notes to the Financial Statements	EFRAG - ANC - UK FRC
• Getting a better Conceptual Framework	EFRAG - ANC - ASCG - OIC - FRC
• Separate Financial Statements	EFRAG - OIC - ICAC - DASB
• Post-implementation Review of IFRS 3 Business Combinations	EFRAG - OIC

Bringing the European view in the IASB consultation process



Pieter Dekker
EFRAG Technical Director

FINANCIAL INSTRUMENTS

Classification and Measurement: Limited Amendments to IFRS 9

After IFRS 9 classification and measurement requirements were finalised in 2010, EFRAG never missed an opportunity to ask the IASB to reconsider some of its conclusions. First because they led to measure at fair value many financial instruments held in the banking book; second because they would lead to significant accounting mismatches when accounting for insurance activities; and finally because they did not cater for those who were neither involved in trading nor in granting credit. EFRAG therefore welcomed IASB issuing in November 2012 the Exposure Draft Classification and Measurement: Limited Amendments to IFRS 9 (the ED) to clarify and propose changes in the classification and measurement requirements in IFRS 9 Financial Instruments.

In order to support its contribution to the IASB due process, EFRAG launched, from February to May 2013, together with the National Standard Setters of France, Germany, Italy and the UK, a field test to identify and describe how IFRS 9 (as modified by the ED) would affect the current classification and measurement of financial assets. The field test also aimed at understanding the accounting effects of the IASB's decision not to allow bifurcation for financial assets. The results of this field test helped EFRAG formulate recommendations about, and the IASB revisit, how the characteristics of the instrument test should work in practice.

EFRAG appreciated the effort made by the IASB to identify a third business model and attempt at addressing accounting mismatches arising from the application of different measurement models to financial assets and insurance liabilities. However, EFRAG expressed the view that the third business model was ill-defined, as it provided focus on the level of sales, without regard for the purpose of those sales. It therefore did not match any of the business models in banks or insurance companies. In the course of its due process, EFRAG's attention was also drawn to comments and positions received from long-term investors whose business model failed – they said – to be identified and catered for.

Consultation on long-term investing activities business models

Concomitantly, the European Commission issued a green paper on how to boost long-term investment in the European economy. The paper raised the question whether accounting standards could be an impediment for long-term investments.

Given the feedback received from long-term investors in its own due process and the potential concerns that were investigated by the European Commission, EFRAG decided to conduct further analysis of how to characterise long-term investment business models from a financial reporting perspective and whether distinct accounting requirements would be desirable to best depict them.

As a result of this supplementary work, EFRAG issued a supplementary letter of recommendation to the IASB in October 2013 and a report of its activities and conclusions to the European Commission. In short, EFRAG's recommendations were guided by the following observations:

- Long-term investors were identifying the key drivers of value creation in their business as being the income received on a regular basis from their investments, the possible economic losses they would suffer and eventually how those losses would reverse, and the gains they would realise upon sale of those investments; the effects of short-term market fluctuations might be relevant information on the financial position of an entity, however not a marker of the profitability of a long-term investor;

Araceli Mora
EFRAG TEG Member



Gabi Ebbers
EFRAG TEG Member





- Creating value from long term investments would be either the basis for the business model, or be the support for a business model driven by long-term liabilities, i.e. serve the purpose of settling long-term liabilities when they become due while generating profit;
- Practice had already developed in certain parts of Europe of reporting on the basis of current values with changes reflected in profit or loss, so that reaching a unanimous view in Europe on the way forward to performance reporting might not be feasible. Later in the year, the discussion on the IFRS Conceptual Framework has brought further evidence of this diversity of views, on a wider scale, beyond the views of long-term investors.

EFRAG's recommendations have not been followed by the IASB.

Financial Instruments: Hedge Accounting

General Hedge Accounting

Towards the end of 2012, EFRAG welcomed the issuance of the Review Draft IFRS 9 Hedge Accounting, as the sign that the IASB had heard its recommendations on how to improve its quality control on a final standard, by subjecting it to a fatal flaw public review, i.e. testing the understandability of the requirements by those who have to apply or enforce them. EFRAG based its contribution on the results of the field test it initiated in coordination with the National Standard Setters of France, Germany, Italy and the UK. Inevitably, some constituents identified this public fatal flaw review as another opportunity to question some of the final decisions made by the IASB. EFRAG was very careful in its response

to the IASB to segregate between what final improvements the IASB should make that would lead to a better understanding or implementation of the requirements decided by the IASB and the decisions that participants in the review continued to challenge. EFRAG did not ignore the latter; EFRAG recommended the IASB to strengthen its basis for conclusions, to ensure that where the IASB's decisions were not fully supported, at least they could be understood. It also provided input to the IASB's effect analysis.

The public fatal flaw review revealed a significant misunderstanding between the IASB and many European participants in the review. Many had understood that macro-hedge relationships would be within the scope of the project on macro hedge, regardless of how they were accounted currently, and as a result, accounting for them would remain unaffected by the publication of the IFRS 9 general hedge accounting requirements. Controversy arose as to the extent of change IFRS 9 would trigger once published. EFRAG concluded that the scope of the macro-

hedge project was still to be debated and that in the meanwhile, entities should not be forced into the cost and disruption of a change in the accounting for the effects of macro-hedge practices, if it was considered best avoided. EFRAG therefore requested that entities be granted an accounting policy choice between applying the new hedge accounting requirements of IFRS 9 and retaining the existing requirements in IAS 39. IASB followed EFRAG's recommendation, after careful consideration.

Macro-Hedge Accounting

In 2013, EFRAG has been quite active in monitoring developments at the IASB level and organising educational sessions with banks but also with an insurance company and a corporate, all having an interest in improvement in accounting for hedging on the basis of net positions that are dynamically managed. EFRAG expects to contribute to the IASB consultation process in 2014 after publication of the IASB discussion paper.



EFRAG Financial Instruments Working Group



EFRAG Insurance Accounting Working Group



Financial Instruments: Impairment

In 2013, EFRAG had the opportunity to consider a third set of IASB proposals for implementing impairment of financial instruments on the basis of an expected credit loss model. EFRAG noted the efforts developed by the IASB and welcomed the proposals as a pragmatic solution, acknowledging that more conceptually-based approaches had been abandoned because of implementation difficulties. EFRAG supported that the impairment model would focus more particularly on depicting deterioration in credit risk, as credit risk is assessed at inception and reflected in the interest rate requested from customers as compensation for lending.

EFRAG concentrated its efforts on assessing whether this pragmatic approach would indeed prove pragmatic enough in practice. It therefore initiated a field test in cooperation with the National Standard Setters of France, Germany, Italy and the UK in order to assess whether the proposals in the ED would address the weaknesses of the incurred loss model in IAS 39, whether the proposals were operational, and the likely costs of implementation. Most of EFRAG’s recommendations to the IASB were inspired by the results of the field test and seem, based on the monitoring of IASB deliberations, to have been taken into account.

INSURANCE CONTRACTS PHASE II

In 2013, the IASB decided to engage in a supplementary consultation on its future standard dealing with accounting for insurance contracts, limiting this consultation to the issues that were remaining problematic, i.e. when to recognise profit arising from insurance contracts, how to avoid accounting mismatches generally and more

particularly in accounting for participating contracts and finally on how to report on insurance activities in the income statement.

EFRAG welcomed the IASB’s efforts to better reflect the economic interdependency in which assets and liabilities of an insurance business are actively managed. EFRAG however was not convinced by the proposals made by the IASB. EFRAG supported that the contractual service margin would reflect the unearned profit on an insurance contract and therefore would also be unlocked for changes in risk adjustments. EFRAG rejected the mirroring approach proposed by the IASB for accounting for participating contracts and instead encouraged the IASB to consider and develop further an alternative approach presented by the European Insurance Industry, which has the distinct merit of a single measurement basis for all insurance liabilities. EFRAG rejected also the IASB’s proposal to align the reporting of revenue in insurance activities with how revenue is reported in other activities, because it resulted in indicators of performance which are unheard of in the insurance industry. EFRAG expressed instead a preference for the summarised margin approach initially proposed by the IASB. Finally EFRAG rejected the requirement to present all effects on insurance liabilities of changes in interest rate in other comprehensive income. EFRAG called instead for an accounting policy choice, the level at which the choice would be made (entity or portfolio) depending on the final decisions the IASB would make of measurement of financial instruments. In expressing its recommendations, EFRAG was largely inspired by the results of its work on identifying a long-term investment business model.

EFRAG’s response to the IASB was also reflecting the results of a field test initiated by EFRAG in coordination with the National Standard Setters of France, Germany, Italy and the UK.

*Nicklas Grip
EFRAG TEG Member*



*Andreas Barckow
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*Mike Ashley
EFRAG TEG Member and Vice-Chair
EFRAG FIWG Chairman*

ENDORSEMENT ADVICE

In 2013, EFRAG submitted a positive endorsement advice on the various amendments published by the IASB. A full list is provided in this report. Two specific pieces of endorsement advice deserve a few comments in this annual review. They were provided for the adoption of IFRIC 21 Levies and of changes made to IAS 39 in relation to the novation of derivatives.

IFRIC Interpretation 21 – Levies

IFRIC 21 was issued despite quite negative comments being received by the IFRS IC in the course of its consultation process. Many constituents considered that the interpretation that confirmed that a liability to pay levies is recognised only when the entity has no alternative to avoid payment was not leading to relevant financial reporting. These constituents believed that a liability to pay a recurring levy should be progressively accrued over the period to which it relates to, even if the law identifies a point in time where the levy becomes due. Many outlined also that, in parallel, the IASB was identifying in its revision of the conceptual framework the need to improve the definition of a liability.

In considering whether the interpretation would be serving the true and fair view principle, EFRAG reflected in its basis for conclusions that the relevance of interim reports would highly depend on disclosures. EFRAG assessed that the interpretation would serve greater comparability of financial reports as it would eliminate diversity in practice. After IFRIC 21 was issued, EFRAG decided to consider what would need to be changed, in IAS 37 or otherwise, to lead to greater relevance in the accounting for levies.

Novation of OTC derivatives and continued designation for hedge accounting (proposed amendments to IAS 39)

The amendments to IAS 39 on the Novation of Derivatives and Continuation of Hedge Accounting are worth highlighting because the whole process of publication and endorsement advice has been carried out by the IASB and EFRAG in a very short time. To ensure that the adoption of the changes have a chance of being decided in time for the 2013 year-end closing, EFRAG limited its consultation period on its draft endorsement advice to 7 days. In these circumstances, shortening EFRAG's due process was necessary to best serve the European public interest.



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EFRAG TEG Member



EFRAG Technical Expert Group

LEASES – 2013 EXPOSURE DRAFT

Accounting for leases remains undoubtedly the most controversial standard developed by the IASB. The second set of proposals, issued by the IASB in the spring of 2013, reflected many recommendations made by EFRAG originally, notably in the recognition and subsequent measurement of lessees' and lessors' assets and liabilities. EFRAG also noted improvements in the definition of a lease and efforts done to better identify leases from service arrangements. However, EFRAG could not be supportive of the proposals, mainly because too many arrangements that are more akin to service than to lease arrangements would still be scoped in and also because the proposals were failing from being cost effective. This latter assessment was based on the results of a field test initiated by EFRAG, in coordination with the National Standard Setters of France, Germany, Italy and the UK. EFRAG also provided a quantitative analysis of the possible impacts of the new requirements in the European lessee's financial statements.

RATE-REGULATED ACTIVITIES

At the time Europe adopted IFRS, some national GAAP included specific accounting requirements for rate-regulated entities. This practice had to be discontinued after the IFRIC suggested at the time that rate-regulation mechanisms did not give rise to assets and liabilities in IFRS. In other jurisdictions, however, the issue was considered sufficiently important to form obstacle to the adoption of IFRS. For example, Canada decided that Canadian rate-regulated entities would be exempt from mandatory application of IFRS, as long as no specific accounting would be provided in IFRS. In response to the 2011 IASB's Agenda Consultation feedback, the IASB decided that they should start research in accounting for rate-regulated activities. The IASB also decided that they should issue an interim standard that would grand-father past accounting practices and be

applicable until a new specific standard would eventually be issued.

As a result, EFRAG participated in 2013 to the IASB consultation on the interim standard and started to organise its work in order to best contribute to the IASB Research project.

The proposed interim standard was widely rejected in Europe as it would impede comparability among IFRS-compliant rate-regulated entities and would do so within Europe if Europe would decide to adopt it. EFRAG recommended the IASB to concentrate all its efforts on the longer-term project and not to publish any final standard.

The IASB started its longer-term research project with a request for information that contributed to acknowledging that a wide variety of types of rate-regulatory frameworks and schemes are currently in force. Although the frameworks can generally be categorised into two broad types (cost-of-service regulation and incentive-based regulation), almost all schemes identified contain elements of both types. EFRAG decided to seek expert assistance and started a specialised working group allowing the variety of perspectives – preparers, auditors and users of financial statements – to best inform its understanding of the issue.

Thanks to this input, and also the input received from its Consultative Forum of Standard Setters, EFRAG was in a position to contribute to the discussions held in the IFRS ASAF from which the IASB sought guidance to make the discussion paper to be published in 2014 an effective basis for discussion.

REVISION OF THE IFRS CONCEPTUAL FRAMEWORK

Revising the IFRS Conceptual Framework has been identified very early on by EFRAG as deserving highest priority. For European constituents

it is indeed absolutely necessary to understand and accept the underlying accounting model that supports IASB efforts in setting IFRS.

EFRAG welcomed a series of preliminary views the IASB expressed in the discussion paper issued in the spring of 2013. EFRAG welcomed the IASB's rather pragmatic approach in terms of scope and timing, resulting in a focus on the issues that had proven problematic in the past, such as measurement, reporting performance and distinguishing between debt and equity.

EFRAG further welcomed the mixed-measurement approach that allows for the selection of the measurement basis that helps best depict how future cash-flows will flow to the entity. EFRAG supported an approach to distinguish between profit or loss and comprehensive income that would be sufficiently open to be available if, at standard level, the need for making the distinction would arise. For EFRAG bringing discipline in the use of net income or OCI should stem from a definition or description of what net income should reflect.

Very importantly, EFRAG responded to the IASB's intent not to reconsider the first chapters of the conceptual framework by affirming the need to re-introduce prudence to best fit the needs of users in apprehending gains and losses differently, to support neutrality of financial reporting in rejecting any form of bias that would impede transparency in financial reporting, to reject the idea that any measurement is reliable enough provided that all assumptions made are disclosed. EFRAG further argued for the systematic assessment of how uncertainty impacts relevance and reliability and to agree with recognition being truly assessed and met. Finally and in line with its research efforts, EFRAG affirmed that the business model of an entity should play a role in financial reporting. All this has been supported by the proactive efforts EFRAG has carried out in partnership with the national Standard Setters of France, Germany, Italy and the UK and reporting under the caption "Getting a Better Framework".

EFRAG Rate-Regulated Activities Working Group



REVENUE

EFRAG had recommended the IASB to issue a review draft of the resulting standard to serve as a basis for a public fatal flaw review and for a final field test. Based on earlier field tests following the IASB's earlier proposals, EFRAG was concerned that some of the proposals might lead to divergent interpretations in practice. However, the IASB decided against launching such a public fatal flaw review, first because they thought no time was available for it, second because they thought such a publication would be regarded as another opportunity to challenge their decisions and finally because they are convinced that implementation difficulties can only be identified when issuers start implementing and that such efforts are not undertaken before the standard is published, i.e. when the new requirements are finalised.

EFRAG, however, succeeded in convincing the IASB that they should support that EFRAG would conduct limited field test, where participants in EFRAG's initial field test were asked to test the two issues that had caused greatest concerns in the past, i.e. understanding, and testing the operability of, the guidance leading to recognising revenue over time and to identifying separate performance obligations.

The final standard is expected to be published in 2014 and therefore be a candidate for endorsement in Europe. The lack of public fatal flaw review will probably result in EFRAG having to perform field test activities as part of the endorsement process.

IAS 41 AGRICULTURE – BEARER PLANTS

In 2013, EFRAG considered the limited amendments proposed to IAS 41 Agriculture that resulted from a recommendation made to the IASB by the Asia Oceania regional group.

EFRAG agreed that bearer plants should be accounted for under the cost model or the revaluation model of IAS 16, as they were from an eco-

EFRAG would like to thank Friedrich Siener and Andy Simmonds for their excellent contributions to the work of EFRAG TEG!



nomically perspective akin to items of PPE. EFRAG recommended the IASB to consider broadening the scope of the amendment to, for example, living stock which most of their economic life play a role similar to that of bearer plants before turning ultimately into agricultural produce.

Commenting on narrow scoped amendments, annual improvements and interpretations of IFRS

In this annual review, it is not our purpose to comment on each and every implementation issue that the IASB, supported by the IFRS IC, undertakes. EFRAG continues to contribute to the IASB's "maintenance activities", i.e. to improvements of existing standards undertaken to best support consistency of application in practice or eliminate unintended outcomes. We provide in a specific table a complete list of all draft comment letters and comment letters that EFRAG issued in 2013 to contribute to the IASB standard-setting process in this domain. All those letters are available from the EFRAG website www.efrag.org. However, the following issues deserve some comments.

Divergent practices in applying the equity method

In order to eliminate sources of divergent application in practice, the IASB issued, late 2012, a series of narrow-scoped amendments intended to provide supplementary guidance on accounting for investees, notably on how the equity method should apply.

When considering IASB proposals, EFRAG supported addressing diversity in practice on the issues, but noted that the proposed amendments provided ad hoc guidance with little, if any, principle basis and were potentially inconsistent with each other. It was noted that the existence of the concepts of both consolidation and measurement in IAS 28 seemed to cause many of the concerns on the application of the equity method, and it was not always clear which of the two concepts should be applied (and why) to those situations that are not specifically addressed in

IAS 28. EFRAG identified in those developments the threat of ad hoc application guidance piling up in IFRS going forward, in such a manner that clarification of the accounting for a given set of circumstances would potentially blur further the understanding of the underlying principles in the standard.

EFRAG decided therefore to engage in a more proactive attitude in its contributions to the work of the IFRS Interpretation Committee. It developed in 2013 – and published early in 2014 – a paper that questions whether the equity method of accounting in IAS 28 is better viewed as a one-consolidation method or as a measurement basis, or eventually a combination of both. In the view of EFRAG, the first step in bringing improvements in current practice should be to clarify the principles that underpin the accounting for investees. EFRAG believes that this can be achieved without considering each and every aspect of the equity method, and hence help support greater consistency in practice as part of the IASB short-term efforts.

EFRAG will further develop thinking and stimulate debate to ensure that the IASB can serve its objective of ensuring consistency in practice while maintaining existing IFRS as principle-based as possible, by reinforcing clarity around principles and how judgment should be applied, rather than providing ad hoc rules.



Joanna Frykowska
EFRAG TEG Member

EFRAG would like to particularly underline the importance of the work of its working groups and advisory panels. They support the advice developed by the EFRAG TEG thanks to the first-hand European expertise and dedication of their members in sustaining EFRAG's efforts to contribute to the development of international accounting standards. In his report, Philippe Maystadt acknowledged the essential contribution of specialised working groups to the work of EFRAG and recommended that their involvement in the definition of EFRAG positions be further enhanced.

The EFRAG Insurance Accounting Working Group (EFRAG IAWG) has been particularly active throughout the year in assisting EFRAG in understanding the operational context of IASB proposals on Insurance Accounting, and in providing direct input to the work of EFRAG TEG. The EFRAG Financial Instrument Working Group (EFRAG FIWG) has also provided essential input to EFRAG in considering the IASB proposals on Classification and Measurement, and Impairment, of Financial Instruments.

EFRAG INSURANCE ACCOUNTING WORKING GROUP (EFRAG IAWG)

Hans Schoen – Working Group Chairman (EFRAG TEG Member and Former Audit Partner, KPMG); Vanessa Casalegno – Preparer (BNP Paribas); Alexander Dollhopf – Actuary (Cavendi Management Consulting); Hugh Francis – Preparer (Aviva); Fabrice Guenoun – Preparer (GEMA); John Instance – Actuary (Financial Reporting Council); Susanne Kanngiesser – Preparer (Allianz); Joachim Kölschbach – Auditor (KPMG); Jacques Le Douit – Preparer (AXA); Francesco Nagari – Auditor (Deloitte); Jean-Michel Pinton – Preparer (CNP Assurances); Sabrina Pucci – Academic (University of Rome); Massimo Tosoni – Preparer (Generali); Gail Tucker – Auditor (PwC); Carsten Zielke – User (EFRAG User Panel vice-Chair, EFRAG TEG Observer).

Representatives of the European Commission, the European Securities and Markets Authority (ESMA), the Committee of European Insurance and Occupational Pensions Supervisors (EIOPA), the Actuarial Association of Europe and the European (re)insurance federation (Insurance Europe) are invited to participate as observers.

The International Credit Insurance & Surety Association (ICISA), the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) and representatives of the Re-insurance industry are associate members of the working group, in which they are invited to participate in meetings of interest to their respective industries.

EFRAG FINANCIAL INSTRUMENTS WORKING GROUP (EFRAG FIWG)

Mike Ashley - Working Group Chairman - EFRAG TEG Member and Vice Chair - Auditor (KPMG); David Bradbery – Preparer (UBS Investment Bank); Riccardo Bua Odetti – Auditor (PwC); Carlo Calandrini – Standard Setter (OIC); Antonio Corbi – Observer (ISDA); Pierre-Henri Damotte – Preparer (Société Générale); Chiara Del Prete – Preparer (UniCredit); Karin Dohm – Banking (Deutsche Bank); Gunther Gebhardt – Academic (Goethe University Frankfurt); Laure Guegan – Auditor (EY); Vincent Guillard – Auditor (Mazars); Terry Harding – Auditor (KPMG); Armin Hausmann – Preparer (Novartis International); Ratislav Kovacik – Banking (Ceska Sporitelna); Selma Marte – Banking (BNP Paribas); Charlotte Pissaridou – Banking (Goldman Sachs); Frank Tassone – Observer (EIB); Delphine Vliegen – Industry (EPIC SNCF); Yvonne Wiehagen-Knopke – Preparer (DZ Bank AG).

Representatives of the European Commission, the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) are invited to participate as observers.



In 2013, EFRAG created a new working group dedicated to rate-regulated activities, the EFRAG Rate-Regulated Activities Working Group (EFRAG RRAWG), to assist EFRAG in understanding the specificities and differences of such businesses among jurisdictions. The contribution of this working group is necessary to have EFRAG best informed while defining its positions on the upcoming IASB Discussion Paper.

EFRAG RATE-REGULATED ACTIVITIES WORKING GROUP (EFRAG RRAWG)

Bill Hicks - Chairman of the Working Group / EFRAG TEG Member; Anne Azzola - Morgan Stanley; Nicola Bruno - Atlantia; Thomas Carlier - Deloitte Belgium; (corresponding Member); Emmanuel Fraser - National Grid; Cosimo Guarini - Terna; Lieve Kerckhof - Elia Group; Laura López Sotomayor - Ferrovial; Markus Lotz - 50Hertz Transmission; Pascale Mourvillier - GDF Suez ; Javier Parada - Deloitte Spain ; Javier Pastor Zuazaga - Iberdrola; Christophe Patrier - Deloitte France (corresponding Member); Thomas Possert - Energie Steiermark; Michael Reuther - PwC Germany; Per Timmermann - PwC Denmark; Katja van der Kuij - KPMG IFRG; Gerard van Santen - EY Netherlands; Magali Viandier – EDF. Representatives of the European Commission are invited to participate as observers.

Also, the EFRAG SME Working group has assisted in the preparation of EFRAG's responses to the IASB consultation on the revision of the IFRS for SMEs.

EFRAG SME WORKING GROUP

Françoise Flores – Working Group Chairman - EFRAG Chairman; Kati Beiersdorf – Accountant (RBS RoeverBroennerSusat GmbH & Co. KG); Jean-Charles Boucher – Auditor (MBV & Associés) ; José Maria Bové – Auditor (Instituto de Censores Jurados de Cuentas de Espana; Bové Montero y Cia); Steven Brice – Accountant (Mazars); Francis Chittenden – Academic (Manchester Business School); Federico Diomeda – Auditor (EFAA); Hugo van den Ende – Auditor (PwC); Stig Enevoldsen – Working Group Vice-Chairman – Auditor (retired Deloitte partner); Johannes Guigard – Auditor (Dottori Commercialisti); Luc Hendrickx – Preparer/User (UEAPME); Radek Ignatowski – Academic (University of Lodz); Robin Jarvis – Academic (ACCA); Manfred Jutz – Preparer (Dr. August Oetker KG); Claudia Mezzabotta – Accountant; Signe Moen – Accountant (PwC); Gerhard Prachner – Auditor (PwC); Marc Spyker – User (L'ANR); Danielle Stewart – Auditor (Baker Tilly); Knut Tonne – Auditor (KPMG).

Representatives of the European Commission and the World Bank are invited to participate as observers.

Furthermore, the EFRAG User Panel is bringing the user perspective across all topics examined by the EFRAG TEG. You can find the summary of its activities on page 29 of this annual review.

EFRAG USER PANEL

Françoise Flores - User Panel Chairman, EFRAG Chairman; Carsten Zielke - User Panel Vice-Chair, EFRAG TEG Observer (Zielke Research Consult); Jean-Baptiste Bellon - Financial Analyst (Trapeza Conseil); Jella Benner-Heinacher - Vice-President of Better Finance, Deputy Chief Managing Director (DSW); Martijn Bos - Policy Advisor Accounting & Audit (Eumedion); Javier de Frutos - MD (BBVA); Jacques de Greling - Senior Equity Analyst (Natixis); Sue Harding Independent Accounting and Financial Reporting Analyst; Dennis Jullens - Lecturer and Researcher, Valuation and Accounting (Rotterdam School of Management, Erasmus University); Thomas Justinussen - Chief Analyst (Danskebank); Peter Malmqvist - Financial Analyst (Malmqvist EQR AB); Ivano Francesco Mattei - Financial Analyst (Banco Popolare); Luca D'Onofrio - Senior Manager (Bip Group); Vincent Papa - Director, Financial Reporting Policy EMEA (CFA Institute); Serge Pattyn - Partner (Emerio), EFRAG TEG Member; Jérôme Vial (Solvaxis); Jed Wrigley - Fund Manager, Director of Accounting & Valuation (Fidelity International).

Representatives of the European Commission and the IASB are given observer seats. In addition, representatives from the IASB and other organisations are sometimes invited to observe the Panel meetings.

And last but not least, the EFRAG Consultative Forum of Standard Setters has been all the more active in 2013 that it now brings to EFRAG direct input and views in the preparation of ASAF meetings, so as to ensure that the European delegation at ASAF is as representative as possible. It has been frequently consulted in joint and bilateral meetings in the Maystadt consultation process.

MEMBERS OF THE EFRAG CONSULTATIVE FORUM OF STANDARD SETTERS

AFRAC Austrian Standard Setter; CNC Luxembourg Standard Setter; CMF Accounting and Auditing Department of Czech Ministry of Finance; Croatian Financial Reporting Standards Board (CFRSB); CNC - Comissão de Normalização Contabilística; Portuguese Standard Setter; CNC - Commission des Normes Comptables, Belgian Standard Setter; ANC – Autorité des normes comptables, French Standard Setter; DRSC - German Standard Setter; EASB – Estonian Accounting Standards Board; KILA - Finnish Accounting Board, Ministry of Employment and Economy - Finnish Standard Setter; FER – Swiss Standard Setter; SFRB – Swedish Financial Reporting Board, Swedish Standard Setter; DASC - Danish Standard Setter; GMEF - Greek Ministry of Economy and Finance; AAA – Lithuanian Standard Setter; ICAC - Spanish Standard Setter; ICPAC - Cyprus Standard Setter; LMF - Latvian Ministry of Finance; NASB – Norwegian Standard Setter; OIC Organismo italiano di Contabilità – Italian Standard Setter; KSR Accounting Standards Committee, Polish Ministry of Finance; RJ Dutch Standard Setter DASB; TASB- Turkish Standard Setter, FRC – Financial Reporting Council, UK Standard Setter.



KEEPING PROACTIVE IN SME ACCOUNTING MATTERS

After IFRS for SMEs was published, EFRAG decided to continue to contribute to the subsequent development of the standard, even though no decision of adoption was expected to be made in Europe. The IFRS for SMEs plays the role in some countries of the European Union as a guide to set their national GAAP.

In 2013, EFRAG had to consider the first review of the standard after three full years of implementation in various jurisdictions across the globe. EFRAG responded to the IASB request for views early 2013 and prepared its preliminary views on the changes proposed by the IASB. In EFRAG's view, the IFRS for SMEs should remain a stand-alone standard and changes in IFRS should be considered as potential changes to the IFRS for SMEs only after the recently published IFRS have been tested through post-implementation reviews, unless the need for change has been clearly identified in the IFRS for SMEs practice. As a result, EFRAG was not favouring much change being made to the IFRS for SMEs, other than bringing the income tax accounting closer to the current IAS 12.



In his report, Philippe Maystadt recommended that EFRAG's mandate should be limited to dealing with financial reporting issues within the remit of the IAS regulation. The European Parliament also made the specific request that EFRAG should not deal with SME accounting issues. It is therefore likely that EFRAG will discontinue its activities on SME Accounting when the reform is in place.

EFRAG would like to thank all stakeholders and members of the working group for their excellent contributions to the work on SME throughout the years.

Publications and activities in 2013

	Draft comment letter	Final comment letter	Draft Endorsement advice	Final Endorsement advice
IFRS / IAS				
IFRS 9 Financial Instruments: Classification and Measurement <i>ED issued on 14-07-2009 with comment deadline of 14-09-2009. IFRS 9 published on 12-11-2009</i>	28-07-2009	21-09-2009	02-11-2009	Postponed
IFRS 9 Financial Instruments: Fair value option for financial liabilities <i>ED issued on 11-05-2010 with comment deadline of 16-07-2010</i>	09-06-2010	16-07-2010		Postponed
IFRS 9 Financial Instruments: Expected Credit Losses <i>ED issued on 07-03-2013 with comment deadline of 05-07-2013</i>	16-04-2013	09-07-2013		Postponed
IFRS 9 Financial Instruments Hedge accounting <i>ED issued on 09-12-2010 with comment deadline of 09-03-2011. IFRS 9 published on 12-11-2009. Amendments to IFRS 9 Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 published on 19-11-2013</i>	18-01-2011 And supplement to DCL 23-02-2011	11-03-2011		Postponed
Draft of forthcoming IFRS on general hedge accounting <i>Draft IFRS issued on 07-09-2012</i>	n.a.	18-01-2013		
IFRS 9: Financial Instruments – Classification and Measurement: limited amendments to IFRS 9 <i>ED issued on 28-11-2012 with comment deadline on 28-03-2013</i>	31-12-2012	16-04-2013		Postponed
Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) <i>ED issued on 04-08-2011 with comment deadline of 21-10-2011; Amendments issued 16-12-2011</i>	09-09-2011	28-10-2011		Postponed
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) <i>ED issued on 28-02-2013 with comment deadline of 02-04-2013. Amendments issued 27-06-2013</i>	11-03-2013	11-04-2013	04-07-2013	15-07-2013
EFrag's letter to the IASB on transition from IAS 39 to IFRS 9 for macro-hedging practices	22-01-2013	22-03-2013		
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities <i>ED issued on 25-08-2011 with comment deadline of 05-01-2012. Amendments issued 31-10-2012</i>	29-09-2011	18-01-2012	20-12-2012	18-02-2013
Acquisition of an Interest in a Joint Operation (Proposed Amendment to IFRS 11) <i>ED issued on 13-12-2012 with comment deadline of 23-04-2013</i>	29-01-2013	17-04-2013		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed Amendments to IFRS 10 and IAS 28) <i>ED issued on 13-12-2012 with comment deadline of 23-04-2013</i>	30-01-2013	15-04-2013		
Share of Other Net Asset Changes (Proposals for Amendments to IAS 28 Equity method) <i>ED issued on 22-11-2012 with comment deadline of 22-03-2013</i>	21-12-2012	12-04-2013		

	Draft comment letter	Final comment letter	Draft Endorsement advice	Final Endorsement advice
Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed Amendments to IAS 16 and IAS 38) <i>ED issued on 04-12-2012 with comment deadline of 02-04-2012</i>	14-12-2012	10-04-2013		
Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19) <i>ED issued on 25-03-2013 with comment deadline of 25-07-2013 Amendments issued 21-11-2013</i>	29-04-2013	17-07-2013	22-12-2013	
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) <i>ED issued on 18-01-2013 with comment deadline of 19-03-2013 Amendments issued 29-05-2013</i>	30-01-2013	25-03-2013	04-07-2013	15-07-2013
Annual improvements project (2010-2012 Cycle) <i>ED issued on 03-05-2012 with comment deadline of 05-09-2012 Annual improvements published on 12-12-2013</i>	08-06-2012	11-09-2012		
Annual improvements for IFRSs (2011-2013 Cycle) <i>ED issued on 20-11-2012 with comment deadline of 18-02-2013 Annual improvements published on 12-12-2013</i>	19-12-2012	19-02-2013		
Regulatory Deferral Accounts (interim standard) <i>ED issued on 25-04-2013 with comment deadline of 04-09-2013</i>	24-05-2013	10-09-2013		
Insurance Contracts <i>Revised ED issued on 20-06-2013 with comment deadline of 25-10-2013</i>	05-08-2013	18-11-2013		
Leases <i>Revised ED issued on 16-05-2013 with comment deadline of 13-09-2013</i>	08-07-2013	15-10-2013		
Revenue from Contracts with Customers – revised proposals <i>Revised ED issued on 14-11-2011 with comment deadline of 13-03-2012</i>	20-01-2012	25-04-2012		
Agriculture: Bearer Plants <i>ED issued on 26-06-2013 with comment deadline of 28-10-2013</i>	17-07-2013	28-10-2013		
Measurement of Liabilities in IAS 37 <i>ED issued on 05-01-2010 with comment deadline of 12-04-2010 extended to 19-05-2010</i>	22-02-2010	20-05-2010		
A Review of the Conceptual Framework for Financial Reporting <i>Discussion Paper issued on 18-07-2013 with comment deadline of 14-1-2013</i>	26-09-2013			
IFRS for SMEs <i>ED issued on 03-10-2013 with comment deadline of 03-03-2014</i>	31-10-2013			
Count 2013	13	16	3	3

	Draft comment letter	Final comment letter	Draft Endorsement advice	Final Endorsement advice
IFRS Interpretations Committee				
IFRS Interpretations Committee's tentative rejection notice in relation to the restructuring of Greek government bonds <i>Issued in May 2012</i>	11-06-2012	26-07-2012		
IFRS Interpretation 21 Levies <i>Issued in May 2013</i>	05-07-2012	10-09-2012	19-07-2013	12-09-2013
IFRS Interpretations Committee's Draft Interpretation DI/2012/2 Put Options Written on Non-controlling Interests <i>Issued in May 2013</i>	06-07-2012	11-10-2012		
IFRS Interpretations Committee's tentative rejection notice on IAS 39 Financial Instruments: Recognition and Measurement, Negative interest rates: implications for presentation in the statement of comprehensive income. <i>Issued in September 2012</i>	21-12-2012	17-01-2013		
Count 2013	0	1	1	1

Other Publications	Date
EFRAG and The Institute of Chartered Accountants of Scotland publish literature review on the Use of Information by Capital Providers	26-12-2013
EFRAG and the National Standard Setters of France and UK Research Paper: 'The Role of the Business Model in Financial Statements'	18-12-2013
EFRAG's letter to the European Commission on the long-term investing activities business models accounting	25-10-2013
EFRAG's letter to the IASB on EFRAG's work on the specific financial reporting need for long-term investing activities business models	25-10-2013
EFRAG and the National Standard Setters of France, Germany, Italy and the UK Bulletin in relation to the revision of the IFRS Conceptual Framework <i>Accountability and the objective of financial reporting / The asset/liability approach</i>	12-09-2013
EFRAG and the National Standard Setters of France, Germany, Italy and the UK publish two Bulletins in relation to the revision of the IFRS Conceptual Framework <i>The role of the business model in financial reporting / The role of a Conceptual Framework.</i>	08-07-2013
EFRAG letter to the IASB on the Request for Information on Rate Regulation	21-06-2013
Fourth issue of the Conceptual Framework Newsletter - summarises how the input that the IASB received at the April 2013 meeting of the Accounting Standards Advisory Forum (ASAF) is now reflected in the IASB's tentative decisions on the Conceptual Framework project	06-06-2013
Third Issue of the Conceptual Framework Newsletter - summary and comments on the tentative decisions reached by the IASB in March 2013	23-04-2013
EFRAG and the National Standard Setters of France, Germany, Italy and the UK issue three Bulletins in relation to the revision of the IFRS Conceptual Framework <i>Bulletins: Prudence / Reliability of financial information / Uncertainty</i>	11-04-2013
Second issue of the Conceptual Framework newsletter - summary and comments on the tentative decisions reached by the IASB in February 2013	12-03-2013
First issue of the Conceptual Framework newsletter - Keeping European constituents informed about the debate on Conceptual Framework	15-02-2013
EFRAG and the NSS of France, Germany, Italy and the UK Strategy on the revision of the IFRS Conceptual Framework	06-02-2013
CICA research paper: Toward a Measurement Framework for Financial Reporting by Profit-Oriented Entities	24-01-2013
Count 2013	14

Field Work	Date
Outreach	2
Input received at Amsterdam Joint Outreach Event on the EFRAG/ANC/FRC Discussion Paper Towards a Disclosure Framework for the Notes held in Amsterdam on 27 November 2012	11-01-2013
Input received at Rome Outreach Event on the EFRAG/ANC/FRC Discussion Paper on 6 December 2012	11-01-2013
Field-Tests	6
EFRAG's report on the findings from the field-test on the revised IASB ED Leases	13-11-2013
EFRAG reports on the findings of the field-test on the IASB ED Financial Instruments: Expected Credit Losses	22-07-2013
EFRAG's field work policy	11-07-2013
EFRAG reports on the findings of the field-test on how IFRS 9 would affect the classification and measurement of financial assets	17-06-2013
EFRAG and the National Standard Setters ANC, ASCG, FRC and OIC field-test on the IASB's expected credit losses model for financial instruments	12-04-2013
EFRAG and the National Standard Setters ANC, ASCG, FRC and OIC field-test on how the transition from IAS 39 to the new IFRS 9 requirements will affect classification and measurement of financial assets	26-02-2013
Feedback statements	17
EFRAG feedback statement on the revised IASB ED Leases	18-11-2013
EFRAG feedback statement on the amendments to IAS 41 Agriculture	13-11-2013
EFRAG feedback statement on comment paper on Emission Trading Schemes	11-11-2013
EFRAG feedback statement on the EFRAG Round table on long term investing activities business models	30-08-2013
Feedback statement on the Review Draft IFRS 9 General hedge accounting and the request to the IASB regarding macro hedging practices	24-07-2013
Feedback statement on the IASB's ED Defined Benefit Plans: Employee Contributions	23-07-2013
Feedback statement on the IASB ED Financial Instruments: Expected Credit Losses	19-07-2013
Feedback statement on the IASB ED Equity Method: Share of Other Net Asset Changes (Proposed Amendments to IAS 28);	19-06-2013
Feedback statement on the IASB ED Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed Amendments to IFRS 10 and IAS 28)	19-06-2013
Feedback statement on the IASB ED Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11).	19-06-2013
Feedback Statement on the questionnaire on subsequent measurement of goodwill	07-06-2013
Feedback statement on the IASB's ED 'Clarification of Acceptable Methods of Depreciation and Amortisation'	29-05-2013
Feedback statement on 'Novation of Derivatives and Continuation of Hedge Accounting – Proposed amendments to IAS 39 and IFRS 9'	23-05-2013
Feedback statement on 'Classification and Measurement: Limited Amendments to IFRS 9'	21-05-2013
Feedback Statement on the Disclosure Framework Discussion Paper	24-04-2013
EFRAG and FRC Feedback Statement on the Discussion Paper 'Improving the Financial Reporting of Income Tax'	08-02-2013
EFRAG's Feedback statement on 'Proposal to Establish an Accounting Standards Advisory Forum'	16-01-2013
Count 2013	25

Letters issued	38
Draft Comment Letters	13
Final Comment Letters	17
Draft Endorsement Letters	4
Final Endorsement Letters	4
Other publications	14
Field work	25
Feedback Statements	17
Others	8
Grand total 2013	77

Developing the influence of investors and other capital providers in EFRAG



As everyone involved in accounting standard setting would know, it is difficult for investors or their advisors – i.e. the primary users of financial statements – to dedicate time and effort to the standard-setting process. This difficulty does not diminish the least the fundamental role that they have to play in the development of high quality IFRS. It is therefore essential for EFRAG to have a thorough understanding of the investors' needs in developing its views. EFRAG operates an active User Panel that provides input on a regular basis to the EFRAG Technical Expert Group on the most important and topical issues. Throughout sessions, EFRAG learns from its User Panel about how financial reporting information is used by investors, academics and analysts.

In 2013, the EFRAG User Panel focused on various aspects of accounting for Financial Instruments, as well as on the revision of the Conceptual Framework, accounting for Leases, Rate-Regulated activities, and the need for specific financial reporting for long-term business models. EFRAG User Panel views were also sought on some of EFRAG's proactive projects in partnership with the National Standard Setters. This input is essential to EFRAG.

Despite the invaluable contribution by its User Panel and given the unavoidable limitation in the number of EFRAG TEG Members with an investor background, EFRAG has developed supplementary efforts to reach out directly to users. EFRAG has done so in coordination with the IASB, and wherever possible, with other European organisations interested in understanding better the needs of users. Started in 2012, both organisa-

tions undertake jointly to reach out to users in Europe as part of a "shared due process" to ensure that users' needs are best known and understood when EFRAG TEG deliberates, and are ultimately considered in the international standard-setting process. This joint process ensures that users are only consulted once on a given project by the relevant organisations.

In 2013, EFRAG met with a number of user organisations to discuss issues of mutual interest, while seeking their involvement in EFRAG activities. These contacts resulted in new faces on board of the EFRAG User Panel, some of them having a membership with user organisations which had not yet been involved in EFRAG's activities. The EFRAG User Panel welcomed Dennis Jullens, former user member of the EFRAG Financial Instruments Working Group and member of the CFA Society Netherlands; Jella Benner-Heinacher, Vice-President of BETTER FINANCE (former EuroFinuse) and Luca D'Onofrio from the Italian member of EFFAS, Associazione Italiana degli Analisti Finanziari. At the end of 2013, PensionsEurope nominated Benedikt Köster as member of the EFRAG User Panel.

As part of developing its input on the draft Maystadt report in September, EFRAG also met with user organisations to obtain their views on the proposed financial reporting reform, including BETTER FINANCE, EFAMA, EFFAS and FESE.

In 2013, EFRAG started to build up a database of users met by EFRAG staff at various events and who expressed an interest in some form of involvement in IFRS standard-setting activities and

EFRAG's work. In this respect, EFRAG and the IASB were offered a platform to exchange views with analysts covering the consumer industry at the annual CAGE (Consumer Analyst Group Europe) conference.

2013 saw renewed interest from and enhanced contacts with EFFAS, originally a founding father of EFRAG back in 2001. The EFRAG Chairman participated in the EFFAS Executive Management Committee meeting in December, and EFRAG had a session on Leases at the EFFAS Summer School in Madrid. The ground was paved for joint EFFAS-EFRAG – IASB user outreach events, the first one being due to take place in April 2014.

A number of outreach events were held in 2013. EFRAG and the IASB had their standing annual meeting with the Eumedion audit committee (which also covers financial reporting) and discussed the revision of the IASB Conceptual Framework. The annual meeting with the EFFAS Financial Accounting Committee discussed the post-implementation review IFRS 3 Business Combinations and formed the basis for a joint EFFAS-EFRAG project on the subject. As part of the Conceptual Framework Discussion Paper outreach, EFRAG organised jointly with the Luxembourg Standard Setter a special event for users in November.

EFRAG will keep on building momentum in 2014 since the involvement of European users in various ways will assist us in providing input to the development of IFRS from a European perspective.

Governance Report

In 2013, the various governance bodies of EFRAG were mainly occupied with three significant issues: the Maystadt Review, the proposed 2014-2020 Financing Regulation for the European Commission's contribution to the funding of the IFRS Foundation, EFRAG and the PIOB and the EFRAG financial position.

Maystadt Review

At the outset of 2013, EFRAG was due to undertake a complete governance review. However, the European Commission decided to entrust a study to Philippe Maystadt so that he would formulate recommendations to be discussed at the ECOFIN in November.

EFRAG Supervisory Board started discussions in a proactive mode with the aim of providing Philippe Maystadt with relevant input. A letter to that purpose was issued in July 2013, and a series of meetings were held.

Following Philippe Maystadt's draft report issued early September, EFRAG organised meetings with a number of European constituents involved in the Maystadt review in order to gather further input and prepare EFRAG's response to the draft report. A letter was prepared by the EFRAG Supervisory Board with input from the EFRAG Governance and Nominating Committee and was submitted on 30 September to Philippe Maystadt and his rapporteur Anne-Françoise Mélot.

Philippe Maystadt presented his recommendations for enhancing the EU role in international accounting standard setting to the Finance Ministers at the ECOFIN Council meeting on 15 November 2013. The recommendations received wide support from the Member States. EFRAG, in cooperation with the European Commission, has started preliminary work to implement the changes required in the governance. The first step in this process is the extension of the

General Assembly to allow for wider membership including that of National Funding Mechanisms.

EFRAG financial position

After the European Commission had put a claim of 1,2M€ on EFRAG and this claim had been accepted, the EFRAG Supervisory Board considered the possible effects on EFRAG's going concern assumption of having its reserves reduced by 50%, together with the renewal of the EU Regulation for the EFRAG financing as explained below.

Proposed Regulation on the 2014-2020 financing of the IFRS Foundation, EFRAG and PIOB

In December 2012, the EC published the proposal for a regulation on establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period 2014-2020. During 2013, the proposal was discussed by the EP (ECON) and the Council of Ministers. The EFRAG SB closely monitored the developments. The Acting Chairman of the EFRAG SB and the EFRAG Chairman met with several MEPs during the first half of 2013 to explain EFRAG's activities and its importance for Europe in order to provide the European influence in the international standard-setting process. The trilogue took place under the Lithuanian Presidency and was finally concluded in December 2013. The European Parliament still had to vote in plenary session in 2014 but the final text of the regulation includes a retroactive clause so that the grant amount made available for 2014 covers the full year. Whilst funding of the IFRS Foundation and PIOB has been approved for a full seven years, EFRAG's funding is limited to three years. The European Parliament wishes to evaluate how the Maystadt reform will have been implemented and whether it proves successful.

However, due to the overall reduction in the 2014 EC Budget, EFRAG will not receive the full

amount of the 2014 grant as envisaged in the regulation. The first instalment of the 2014 grant can only be paid to EFRAG when the Regulation, which is the legal basis, has been published in the Official Journal. The EFRAG SB considered the implications for the cash position of EFRAG in 2014 combined with the substantial reduction in reserves that EFRAG faced as referred to above. This was the reason why EFRAG made a public call on NFMs in December 2013 to give not only their financial commitment for 2014 but to commit to pay the first instalment as early as possible in 2014.

EFRAG Supervisory Board (EFRAG SB)

The EFRAG SB met four times in 2013: in February, May, September and November. In addition, it held seven conference calls during the period June-September 2013.

The EFRAG SB approved the audited financial statements of 2012 for submission to the EFRAG General Assembly; approved the reappointment of the auditors; approved the revised 2013 budget (the EFRAG General Assembly requested in its December 2012 meeting to have a break-even budget) for submission for approval to the EFRAG General Assembly; and approved the 2014 budget for submission to the EFRAG General Assembly. The Board also approved a revision of the EFRAG Travel Policy.

The Board closely monitored the financial position and the cash flow projections of EFRAG, and assessed its going concern assumption, following the impact of the EC claim and the possible delay in the EC funding for 2014. Indeed, the legislative process leading to the approval of the finance regulation covering the funding for EFRAG and forming the legal basis for the grants 2014-2016, will only be finalised in 2014.

The Board appointed one new EFRAG SB mem-



ber as member of the EFRAG PRC and decided on the new composition of EFRAG TEG from 1 April 2014.

The EFRAG SB discussed input to the Maystadt reform. This resulted in EFRAG contributions being submitted to Philippe Maystadt in meetings in July and October, and in letters sent on 24 July and 30 September. In November, The Board started discussing the final report of Philippe Maystadt and the reform's implementation. In order to ensure that EFRAG would reach conclusions in its 30 September letter following due process, the Acting Chairman of the EFRAG SB held 19 meetings with various stakeholders.

The Board had an exchange of views with Verena Ross, Executive Director of ESMA.

EFRAG SB operates a Nominating Committee, an Audit and Budget Committee, and a Maystadt Review Task Force.

EFRAG Nominating Committee (EFRAG NC)

The role of the EFRAG NC is to recommend candidates for the EFRAG TEG yearly rotation process and for the EFRAG PRC as far as the non-National Standard Setters' seats are concerned. The EFRAG NC had six conference calls and one meeting in 2013.

In the course of those meetings, the EFRAG TEG 2014 rotation was prepared. As two resignations of EFRAG TEG members were received, the decision made in the EFRAG SB November meeting had to be revisited early 2014. This process resulted in a press release on the new composition of EFRAG TEG in February 2014.

EFRAG Audit and Budget Committee (EFRAG ABC)

The EFRAG ABC had four conference calls in February and August and two in November 2013, and one meeting in May 2013.

The EFRAG ABC monitored the financial situation and the impact of the EC claim on the 2013 financial situation and the reserves of EFRAG throughout the year. The 2012 audited financial statements, the revised 2013 budget and the 2014 budget were reviewed for submission to the EFRAG SB. The Committee agreed the renewal of the EFRAG Travel Policy to be submitted for approval to the EFRAG SB. Early 2013, the Committee was explained the European Commission grant system and the 2012 European Commission grant report, taking into account that most of EFRAG SB members had recently joined.

EFRAG Maystadt Review Task Force (EFRAG MRTF)

The EFRAG SB formed an ad hoc task force – the EFRAG Maystadt Review Task Force (EFRAG MRTF) – to support the EFRAG SB in preparing input to the Maystadt review following the appointment of Philippe Maystadt as special adviser to Commissioner Barnier. The EFRAG MRTF had seven conference calls from April to June 2013. Their discussions resulted in the preparation of an EFRAG letter to Philippe Maystadt as input to his review of the structure of the European financial reporting scene and, in particular, the governance of EFRAG. This letter was approved by the EFRAG SB in its conference call of 23 July, and submitted to Philippe Maystadt on 24 July 2014. Similarly, the Task Force facilitated the preparation of EFRAG's response to Philippe Maystadt's draft report. The final letter was submitted on 30 September 2013 after approval by the Supervisory Board.

EFRAG Governance and Nominating Committee (EFRAG GNC)

During 2013 the EFRAG GNC was informed about the EFRAG input to the Maystadt review and contributed to the EFRAG letter on the draft Maystadt report. This mainly took place by email. One conference call was held in September 2013.

EFRAG General Assembly

The EFRAG General Assembly had three formal meetings in 2013.

In the EFRAG General Assembly meeting of February, the full legal set of audited 2013 financial statements, including the social balance and the revised 2013 budget on a break-even basis, was approved. The October extraordinary EFRAG General Assembly discussed the financial impact of the European Commission claim for the equity and cash flows for 2013 and 2014.

In its December 2013 meeting, the EFRAG General Assembly approved the budget for 2014 and had an initial discussion following the final Maystadt report on the future composition of the General Assembly and the related commitments and rights, including voting rights.

EFRAG Member Organisations

Two EFRAG Member Organisations meetings were held in 2013. In the February meeting, results of the November 2012 ECOFIN meeting on the update of the EU IFRS strategy enhancing the European influence on the IASB and setting the framework for the EFRAG were discussed. The May meeting addressed the EFRAG input to the Maystadt review.

National Funding Mechanisms (NFM)

A meeting was held in October to update NFMs on the Maystadt review and the EFRAG comment letter that was submitted in reaction to the draft Maystadt report. The main part of the meeting was dedicated to information about the European Commission claim, including the financial impact on the equity and cash flows for 2013 and 2014. The implications for the 2014 budget were considered.

Financial highlights

Abbreviated financial statements as of 31 December 2013

INCOME STATEMENT	2013	2012
	000 EUR	000 EUR
Contributions		
Members Organisations	800	800
National Funding Mechanisms	1,445	1,445
European Commission	2,389	2,523
<i>Contributions in kind</i>	1,496	1,212
TOTAL CONTRIBUTIONS	6,130	5,980
Operating expenses		
Human resources	-3,573	-3,536
Building	-363	-338
Travel	-93	-112
Special events	-23	-14
Publications	-31	-53
Meetings	-61	-66
Other costs	-298	-387
<i>Expenses in kind</i>	-1,496	-1,212
TOTAL OPERATING EXPENSES	-5,938	-5,718
Operating profit or loss	192	262
Financial Result	-26	30
Adjustments on prior years	-945	
NET PROFIT OR LOSS	-779	292

BALANCE SHEET	31/12/2013	31/12/2012
	000 EUR	000 EUR
Tangible Assets	159	207
Office Guarantee	114	114
Total Fixed Assets	273	321
Accounts Receivable	120	355
Current Investments	340	371
Cash	1,585	2,183
Deferred Charges and Accrued Income	27	4
Total Current Assets	2,072	2,913
TOTAL ASSETS	2,345	3,234
Equity: Accumulated surplus	1,518	2,297
Liabilities		
• Leasing Debt	5	8
• Accounts Payable	238	469
• Taxes, Remuneration and Social Security	407	379
• Rent Accrual	89	81
• FRC 2014 contribution	88	
TOTAL EQUITY & LIABILITIES	2,345	3,234

The financial highlights are based on statutory financial statements audited by BDO, Belgium, who issued an unqualified audit report on those statements on 28 February 2014.

CONTRIBUTIONS AND EXPENSES IN KIND

Contributions in kind 2013	000 EUR
Secondments	120
Time and travel contributions	
<i>Technical Expert Group</i>	882
<i>Other Groups and Panels</i>	494
TOTAL CONTRIBUTIONS IN KIND	1496

ACCOUNTS RECEIVABLE

Accounts receivable as of 31/12/2013	2013	2012
	000 EUR	000 EUR
Danish National Funding Mechanism	0	6
BUSINESSEUROPE	5	8
European Commission Contribution	64	341
Other debtors	51	
TOTAL ACCOUNTS RECEIVABLE	120	355

The European Commission contribution is the remaining part of the grant and will be paid after approval of the final report, including the audited financial statements.

NOTES

European Commission grant agreements

Since 2010, EFRAG receives public funding in the form of European Commission grants, drawn from the DG Markt budget. Every year, a distinct grant agreement is signed and the European Commission covers a fixed percentage of EFRAG's eligible expenses. The grant agreement provides for down payments in the course of the year and a final payment after the annual accounts are closed, audited and a final report is made on how EFRAG has performed in its work programme.

The grant agreement takes the form of a contract between the European Commission and EFRAG that includes a description of eligible expenses and conditions for that eligibility. The contract also entitles the European Commission to make "on-the-spot" checks to check whether EFRAG has complied with all conditions in the contract, particularly the conditions for eligibility of expenses. Accounts can be audited by the European Commission itself or by the EU Court of Auditors and claims for reimbursement may be issued within five years of the final payment.

Extraordinary loss incurred by EFRAG in 2013

Following an on the spot check by the European Commission in late 2012 to determine whether EFRAG had complied with all the conditions of the grant agreement for 2011, the European Commission asked EFRAG in early June to provide information on a service contract in place since 1 April 2010. The European Commission inquiry resulted in denying the eligibility of the service contract under the EC grant agreement. As a result, the 2012 maximum EU contribution amounted to 2.168k€, 354k€ lower than the amount claimed by EFRAG. The European Commission claimed reimbursement of 604k€ related to the amounts paid to EFRAG in 2010 and 2011. This ineligibility applied also to the service contract for the first seven months of 2013, since corrective action had been taken by EFRAG as of 1 August 2013 to meet eligibility criteria. This represents a reduction of the 2013 grant to be received by EFRAG of 205k€. EFRAG has reported an extraordinary loss of 945k€ related to the period 2010-2012. The total effect of the ineligibility of the service contract from 2010 to 31 July 2013 results in a total loss of 1.2M€, i.e. half of EFRAG's reserves.

Current investments

In 2013, the Belgian authorities have decided to apply a new tax retroactively to gains realised on investments. Since 2003, EFRAG has invested in some medium-term investments. EFRAG has accounted for a tax liability of 25% of the resulting accrued income as of 31 December 2013, amounting to 30k€ tax liability reducing the net accrued income. At the closing date of the accounts, it was not yet clear whether EFRAG falls into the scope of this new tax therefore the tax liability has been accounted for.

Change in the guaranteed return on EFRAG's pension fund

The Belgian law requires that contributions paid on behalf of employees by their employers be guaranteed a minimum return of 3.25%. Pension funds in Belgium have indicated that the current market conditions do not allow maintaining this level of guaranteed return. The result of this change creates a liability for EFRAG. EFRAG has undertaken to run an actuarial valuation of this liability resulting in the conclusion that for 2013 the incurred liability is not material.

Financial Structure of EFRAG

Since 2010, EFRAG has had a three-tier funding model, whereby public sector funding is designed to match private sector contributions and the three pillars complement each other:

- Base funding from Member Organisations
- National Funding Mechanisms
- European Commission funding

The EFRAG Member Organisations are European stakeholder representative organisations with an interest in financial reporting.



THE EFRAG MEMBER ORGANISATIONS ARE:

FEE	FEDERATION OF EUROPEAN ACCOUNTANTS
BUSINESSEUROPE	EUROPEAN BUSINESS FEDERATIONS
INSURANCE EUROPE	EUROPEAN (RE) INSURANCE FEDERATION
EBF	EUROPEAN BANKING FEDERATION
ESBG	EUROPEAN SAVINGS AND RETAIL BANKING GROUP
EACB	EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
EFAA	EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS

National Funding Mechanisms have various structures in different countries, meeting their national requirements and best fitting national circumstances. Their contribution is expected to be based on the country GDP. Supported by the European Commission and the Council of Ministers, EFRAG continues seeking to broaden its basis of National Funding Mechanisms. Prospects for establishing a National Funding Mechanism in the Netherlands and Luxembourg are encouraging.

The EFRAG financial structure hence combines private and public funding and gives EFRAG the appropriate credibility and standing without impairing its independence.

In addition to cash funding, EFRAG receives contributions in kind provided by the members of EFRAG TEG (with exception of the Chairman), the EFRAG Supervisory Board, the Working Groups and Advisory Panels and seconded staff at subsidised cost. The Italian Standard Setter (OIC) makes a substantial contribution in kind by making a project manager available to EFRAG.

EFRAG also receives voluntary ad hoc contributions.

NATIONAL FUNDING MECHANISMS HAVE BEEN ESTABLISHED IN:

DENMARK

CONTRIBUTIONS FROM IMPORTANT BUSINESS ORGANISATIONS IN DENMARK NAMELY REALKREDITRÅDET (ASSOCIATION OF DANISH MORTGAGE BANKS); REALKREDITFORENINGEN (DANISH MORTGAGE BANKS' FEDERATION); DANSK ERHVERV (DANISH CHAMBER OF COMMERCE); DANSK INDUSTRI (CONFEDERATION OF DANISH INDUSTRY); DANMARKS REDERIFORENING (DANISH SHIPOWNERS' ASSOCIATION); FINANSRÅDET (DANISH BANKERS ASSOCIATION) AND FSR - DANSKE REVISORER (FSR- DANISH AUDITORS)

FRANCE

COLLECTION OF FUNDS BY THE MINISTRY OF FINANCE THROUGH A NON-MANDATORY CALL ON ALL LISTED COMPANIES AND THE ACCOUNTANCY PROFESSION FOR IASB, EFRAG AND AUTORITÉ DES NORMES COMPTABLES (ANC). THE COORDINATION OF THE FUNDING MECHANISM IS ENTRUSTED TO THE ANC.

GERMANY

ACCOUNTING STANDARDS COMMITTEE OF GERMANY.

ITALY

PART OF THE BUDGET OF ORGANISMO ITALIANO DI CONTABILITÀ (OIC) THAT IS OBTAINED FROM A COLLECTION OF FUNDS BY THE CHAMBER OF COMMERCE FROM ALL COMPANIES THAT HAVE TO PUBLISH FINANCIAL STATEMENTS.

NORWAY

THE NORWEGIAN GOVERNMENT PROVIDES THE FUNDING TO EFRAG THROUGH A SYSTEM WHEREBY LISTED COMPANIES PAY A FEE TO THE FINANSTILSYNET (THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY).

SWEDEN

PART OF THE BUDGET OF THE SELF-REGULATING BODY, THE ASSOCIATION FOR GENERALLY ACCEPTED PRINCIPLES IN THE SECURITIES MARKET (FÖRENINGEN FÖR GOD SED PÅ VÄRDEPAPPERSMARKNADEN), FINANCED BY FEES FROM LISTED COMPANIES CALCULATED AS A PERCENTAGE OF THE MARKET CAPITALISATION, FEES FROM THE PRINCIPLES, AS WELL AS FEES CHARGED FOR STATEMENTS ON CERTAIN ISSUES.

UK

PART OF THE BUDGET OF THE FINANCIAL REPORTING COUNCIL (FRC) FINANCED BY A LEVY ON PUBLICLY TRADED AND LARGE PRIVATE COMPANIES COMBINED WITH FUNDING BY THE GOVERNMENT AND THE ACCOUNTING PROFESSION.

THE BREAKDOWN OF CONTRIBUTIONS IS AS FOLLOWS:

CONTRIBUTIONS	amount in 1000 euro	
	2013	2012
Member Organisations		
FEE	300	300
BUSINESSEUROPE	175*	175*
INSURANCE EUROPE	75	75
EBF	75	75
ESBG	75	75
EACB	75	75
EFAA	25	25
<i>Total Member Organisations</i>	<i>800</i>	<i>800</i>
France	350	350
Germany	350	350
UK	350	350
Italy	170**	170**
Sweden	100	100
Norway	75	75
Denmark	50	50
<i>Total National Funding Mechanisms</i>	<i>1.445</i>	<i>1.445</i>
<i>European Commission</i>	<i>2,389</i>	<i>2,523</i>
TOTAL CONTRIBUTIONS	4,634	4,768

* Including 50 K euro ad hoc funding provided by ACTEO (France) in both 2013 and 2012.

**the Italian contribution amounts to 290K€ in 2013 (290K in 2012) when taking into account the secondment of a full time project manager to EFRAG free of charge.

Appendices

EFRAG TECHNICAL EXPERT GROUP (as of 31 December 2013)

Françoise Flores (France)
EFRAG Chairman



Mike Ashley (United Kingdom)
Vice-Chair of EFRAG TEG
Former Audit Partner KPMG

Andreas Barckow (Germany)
Partner, Deloitte & Touche
Head German IFRS Centre of Excellence



Marios Cosma (Cyprus)
Partner and Director
Treppeides & Co Limited

Nicolas de Paillerets (France)
Director
Group Accounting Principles



Gabi Ebbers (Germany)
Team Leader MD&A Group Financial
and Regulatory Reporting
Allianz SE

Joanna Frykowska (Poland)
Executive Director
EY Poland



Nicklas Grip (Sweden)
Senior Vice-president
Handelsbanken

Bill Hicks (United Kingdom)
Interim Director Group Reporting
BBC Worldwide



Araceli Mora (Spain)
Professor
University of Valencia

Serge Pattyn (Belgium)
Partner
Emerio



Andrea Toselli (Italy)
Partner
Leader of National
Technical Department PwC

NON VOTING MEMBERS

Roger Marshall (United Kingdom)
Chairman
FRC Accounting Council (FRC AC)



Jérôme Haas (France)
Chairman, Autorité des Normes
Comptables (ANC)

Angelo Casó (Italy)
President, Organismo Italiano di
Contabilità (OIC)



Liesel Knorr (Germany)
President, Accounting Standards
Committee of Germany (ASCG)

EFRAG PARTICIPANTS IN IASB WORKING GROUPS

Financial Instruments	Mike Ashley (EFRAG TEG) / observer
Insurance	Carsten Zielke (EFRAG TEG) / observer
Lease Accounting	Françoise Flores (EFRAG Chairman) / observer
SME Implementation Group	Françoise Flores (EFRAG Chairman) / observer
IFRS Advisory Council	Françoise Flores (EFRAG Chairman) / member status
XBRL Advisory Council	Saskia Slomp (Director at EFRAG) / member status
Effects Analysis Consultative Group	Pieter Dekker (EFRAG Technical Director) / member status
Consultative Group for Rate Regulation	Bill Hicks (EFRAG TEG) / observer

EFRAG SUPERVISORY BOARD

Acting Chairman of the EFRAG Supervisory Board:

Hans van Damme Dutch, Past FEE President, retired KPMG partner

Members

Carlo Biancheri	Italian, former Joint Central Director Head of International Relations of CONSOB (the Italian Companies and Stock Exchange Commission)
Patrick De Vos	Belgian, former CFO of Groupe Bruxelles Lambert
Adriana Dutescu	Romanian, professor at the Accounting Department of the Academy of Economic Studies, Bucharest university
Stig Enevoldsen	Danish, Member of the National Standard Setter, Chairman of the Accounting Expert Group advising the Financial Supervisory Authority of Norway and Vice-chair FEE Corporate Reporting Policy group
G�rard Gil	French, Senior Advisor of BNP Paribas Executive Committee, Board member ANC
Gerhard Hofmann	German, Member of the Board of Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, Vice-President EACB, Vice-Chairman of EBIC
Professor Robin Jarvis	UK, Special Adviser to the ACCA, Professor of Accounting at Brunel University, member of the IASB SME Implementation Group, EC Expert Group- Financial Services User Group, European Banking Authority's Supervisory Boards Stakeholder Group, Chair of the Advisory Panel to the Chartered Banker Professional Standards Board, Policy Advisor to EFAA and Technical Advisor to the IFAC SMP Committee
Burkhard Keese	German, designated CFO of Allianz Deutschland AG, Chairman of the CFO Forum Steering Committee
Jorge Gil Lozano	Spanish, Joint General Manager, Operative and Financial Area of the Spanish Confederation of Savings Banks
Elisabetta Magistretti	Italian, Financial analyst, member AIAF and non-executive independent director in listed Italian companies (Luxottica, Pirelli and Mediobanca)
Patrice Marteau	French, Chairman ACTEO, former Vice-Chair IFRS Advisory Committee, Former CFO PPR Group
Peter Sampers	Dutch, Senior Accounting Officer at Royal DSM NV, Professor of Financial Accounting, Maastricht University
Carlos Soria Sendra	Spanish, former Vice- President of EC Standards Advice Review Group (SARG)
Robert Talbut	British, Chief Investment Officer of Royal London Asset Management, Chairman Investment Committee of the Association fo British Insurers, member of the FRC Audit Practices Board
Anders Ullberg	Swedish, Chairman of the Swedish Financial Reporting Board and Board member of five listed companies
Mark Vaessen	Dutch, partner KPMG LLP UK, Global IFRS leader KPMG, Chairman FEE Financial Reporting Policy Group and member of the IFRS Advisory Council



EFRAG SECRETARIAT AS OF 31 DECEMBER 2013

Françoise Flores	Chairman and CEO
Hans Schoen	Acting Research Director
Pieter Dekker	Technical Director
Saskia Slomp	Director
Filippo Poli	Deputy Research Director
Nathalie Saintmard	Communications Manager
Isabel Batista	Senior Technical Manager
Hocine Kebli	Senior Technical Manager
Michel Sibille	Senior Technical Manager
Rasmus Sommer	Senior Technical Manager
Giorgio Acunzo	Technical Manager (seconded)
Filipe Alves	Technical Manager
Didier Andries	Technical Manager
David Garcia	Technical Manager (seconded)
Sapna Heeralall	Technical Manager
Ralitzia Ilieva	Technical Manager
Alejandro Martinez	Technical Manager (seconded)
Benjamin Reilly	Technical Manager
Robert Stojek	Technical Manager
<i>Provision of services on a project basis</i>	
Sigvard Heurlin	Senior Technical Manager
Anne Mc Geachin	Technical Manager
Claudia Mezzabotta	Technical Manager
Aleš Novak	Technical Manager
Jeff Waldier	Technical Manager
Aurélie Diela	Payroll and Finance Officer (outsourced)
Neha Mehra	Office Administrator
Melanie St-Yves	Office Administrator



EFRAG would like to thank Marc Labat, Anna Vidal, Panagiotis Papadopoulos and Richard Van der Pluym for their valuable contributions as technical managers. Sheenagh Williams and Sebastian Harushimana joined early January 2014.

