December 2008 – Quarterly edition

iGAAP Newsletter
Beyond the standards

Published for our clients and staff in the UK

Contents

Upfront

Welcome to the new look iGAAP quarterly newsletter. We hope the new articles, interview and features are informative and thought provoking. The newsletter continues to ensure you are up to date on recent developments in both IFRS and UK GAAP.

Recent turbulence in financial markets and the economy have made their mark on the financial reporting world. Accounting continues to sit high up on the agenda of regulators and newspaper editors. The debate about whether fair value is the right way or not continues to rage. We discuss in this newsletter the impact of the recent amendments to IAS 39 which have transformed the balance sheets of some financial institutions at such a critical time.

Our topic of focus this quarter looks at an issue on which many projects at the IASB hinge, namely what the income statement looks like. We now have a better idea of what the IASB intends to do in this respect. The recently issued discussion paper on financial statement presentation takes a look at comprehensive income ('income statement') and the statement of financial position ('balance sheet' in old money) and proposes a consistent format to overcome the main variations we see today. These proposals are important to a wide population of stakeholders and we expect significant interest in this project as it develops.

At a time when further pressure is being placed on the standards issued and the governance of the IASB, the US Securities and Exchange Commission has come out with its 'roadmap' on the process of moving to allow major US domestic registrants to switch from US GAAP to IFRS. This represents a major step towards a set of genuine global accounting standards. A lot needs to be done before the SEC is sufficiently satisfied to allow, or indeed require, all US domestic registrants to switch to IFRS. What is helpful is that the SEC's preconditions for switching are laid out for all to see. The critical question over the coming years is whether the IASB can, and the rest of the world will let them, meet these conditions.

Deloitte LLP
December 2008

Topic of focus: Presentation of financial statements

Background

The International Accounting Standards Board (IASB), working with FASB (the US standard-setter), has issued a discussion paper entitled *Preliminary Views on Financial Statement Presentation*. This discussion paper takes a fresh look at the form, content, classification and aggregation of line items on the face of the financial statements.

How items should be presented in the financial statements has long been a topic of debate. The IASB's project (initially focussed on performance reporting) has been underway since 2001, with collaboration between the IASB and FASB since 2004. At this time the two Boards split the project into three phases. Phase A resulted in some limited revisions to IAS 1 *Presentation of Financial Statements* in 2007, phase B which led to the release of this discussion paper, and phase C which will subsequently address presentation and display of interim financial statements.

The main revision to IAS 1 as a result of phase A of the project was to require the presentation of three statements of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement. The titles of financial statements also changed:

- 'balance sheet' becomes 'statement of financial position';

- 'income statement' becomes 'statement of comprehensive income'; and

- 'cash flow statement' becomes 'statement of cash flows'.

Although use of the new titles is not required in the financial statements. The revised IAS 1 is effective for annual periods beginning on or after 1 January 2009.

Phase B addresses the fundamental issues relating to the presentation and display of information in the financial statements, acknowledging user concerns that current standards permit too many alternative types of presentation, with inconsistent presentation and information shown at highly aggregated levels. The Deloitte 2008 survey *Right to the end: Surveying financial statements* notes, in a sample of listed company financial statements, that there is *"considerable variety in practice in income statement presentation. Indeed, among the listed companies sampled, it would be difficult to find two which were the same. Such variety allows companies to adopt a presentation which is most appropriate to their business, but hinders the reader's ability to compare results with those of other entities."*

Not all issues are addressed by this project. While the discussion paper addresses the (dis)aggregation of items which are measured differently, the issue of which items are included in other comprehensive income (outside of profit or loss or net income) and how such items are reclassified is outside the scope of the project. These are issues that have implications for the progress and outcome of other projects, such as that on defined benefit pension scheme accounting.

The proposals

The discussion paper focuses on three objectives for financial statement presentation – cohesiveness, disaggregation and user ability to assess liquidity and financial flexibility. The proposed model requires entities to provide detailed information organised in a manner that clearly communicates an integrated (cohesive) financial picture of an entity. In particular, entities will be required to present information about the way an entity creates value, its business activities, separately from the way it funds or finances those business activities, its financing activities.

There are a number of significant changes to current practice outlined in the discussion paper, which would affect all entities reporting under IFRS. In summary:

- **Across the financial statements, line items should be consistent in the descriptions used and order in which they are presented**
  Essentially a user should be able to locate an asset or liability and easily identify the income statement and cash flow movements related to that asset. This cohesiveness should be the ultimate goal, however it would not always be possible, for example, as assets relating to internal research are not capitalised there would not be a linkage between the statement of comprehensive income and the statement of financial position.

- **Information regarding an entity's business activities should be shown separately to its financing activities**
  In addition to the separation of business activities from financing activities, business activities should be further separated between operating and investing activities. Discontinued operations and income taxes would continue to be separately disclosed outside these three main areas.

  The proposals set out broad principles by which entities would need to determine classification based on how the entity uses the relevant asset or liability, in other words adopting a management approach. This would be an accounting policy choice and would be described in the notes to the financial statements. Any changes in classification would therefore require a retrospective application. The IASB has not considered how changes in use of assets or liabilities should be presented, or how assets or liabilities would be allocated where they have multiple uses.

- **Additional detail should be provided on the face of the financial statements**
  The proposals lead to a significant increase in the level of analysis provided on the face of the financial statements, particularly on the income statement. The Deloitte publication *Right to the end* notes that on average, entities have 15 lines of information on the face of the income statement, ranging from 7 to 30 lines. This data is highly aggregated, with further detail included in the notes. The discussion paper proposes the disaggregation of income, expenses and cash flows first by function, and then further by nature to the extent that such disaggregation enhances the usefulness of information in predicting cash flows. This proposal would surely increase the average number of lines in statements of comprehensive income.

  The statement of financial position would also include more detail. While the main classification of assets and liabilities would be as operating, investing or financing items, further sub-classifications are proposed including, for example, analysis of items as short-term and long-term, and analysis by measurement basis, i.e., items measured at fair value would be shown separately to items measured using a measurement model or at amortised cost.

- **Entities should present a single statement of comprehensive income**
  IAS 1(revised) allows entities to present all items of income and expense either in a single statement or in two separate statements – one displaying profit or loss (an income statement) and a statement of comprehensive income that starts with the total profit or loss and includes items of other comprehensive income. This alternative presentation would be removed in order to enhance comparability. Other comprehensive income would still be shown in a separate section in the single statement, and should be given prominence equal to that of all other sections, for example, business or financing.

- **The direct method for cash flow reporting would be required**
  The indirect method is considered deficient because it does not separately present any of the operating cash receipts or payments, therefore to enable cohesiveness, the direct method would be required. The indirect method is not totally lost, as the discussion paper proposes a reconciliation schedule which would reconcile cash flows to comprehensive income, disaggregated to show cash received or paid (other than transactions with owners), accruals, remeasurements that are recurring fair value changes or valuation adjustments and remeasurements that are not recurring fair value changes or valuation adjustments. In addition, the cash flow statement would focus on cash rather than the current 'cash and cash equivalents'.

A simple demonstration of the classification model is set out in Table 1.

Table 1. Proposed classification scheme for financial statements

Statement of financial position	Statement of comprehensive income	Statement of cash flows
Business	**Business**	**Business**
• Operating assets and liabilities • Investing assets and liabilities	• Operating income and expenses • Investment income and expenses	• Operating cash flows • Investing cash flows
Financing • Financing assets • Financing liabilities	**Financing** • Financing asset income • Financing liability expenses	**Financing** • Financing asset cash flows • Financing liability cash flows
Income taxes	**Income taxes** on continuing operations (business and financing)	**Income taxes**
Discontinued operations	**Discontinued operations**, net of tax	**Discontinued operations**
	Other comprehensive income, net of tax	
Equity		**Equity**

Notes
- Section names are in bold type.
- Required categories within sections are indicated by bullet points.
- Entities would be permitted to present the sections and categories within a section in a different order as long as the order is the same in each statement.
- Each section and category within a section would have a subtotal.
- The statement of comprehensive income would also include a subtotal for profit or loss or net income and a total for comprehensive income.

We have published a special edition of the IAS Plus newsletter summarising the discussion paper. You can find it here: http://www.iasplus.com/iasplus/0811presentationdp.pdf

Conclusion

The proposed model leads to fundamental changes in the appearance of the financial statements, both in the structure of the statements and the level of detail presented. While it is early days yet, now is the time to get involved in order to ensure that any issues are identified and addressed early. Comments on the discussion paper are to be submitted by 14 April 2009, with an exposure draft scheduled for release in 2010.

Practical issue: Measurement matters

Four and quarter billion pounds. What's in a number? What's a billion here or there between friends? In the last year we have become more used to reading of billions than millions. This is normally said in the same breath as 'financial bailouts' and 'rescue packages'. So what is the £4.25 bn? It is the total losses that would have been recognised in income in Q3 had the recently issued IAS 39 amendment on *Reclassifications of Financial Assets* not been adopted by nine financial institutions in Europe[1].

How financial instruments are measured matters a great deal. What was once a topic reserved for preparers and 'techies' has now gone mainstream. Regulators, tax authorities, politicians and investors have an interest in the future face of accounting for financial instruments. It is a critical test for the long-term success of the IASB.

The amendment to IAS 39 that was issued in October was the first, and most hope, the last, example of an amendment to a standard that was issued without due process. The amendment was rushed through over the weekend, agreed at a Board meeting on the Monday, and was endorsed for use in Europe by the Wednesday. Never have the wheels of standard setting moved so fast. Now the dust has settled on the amendment the impact of the change is visible. Some entities chose to apply it from as early as 1 July 2008. Some chose to apply it at the end of Q3, so it had no impact on profit or loss in the quarter, but it will impact future quarters' earnings. Some chose not to apply it all, at least for now. The extent of application varies, but when it is used, it generally has a big impact. At the end of Q3, Commerzbank reclassified €44bn of financial assets from one measurement category to another. This is greater than the gross domestic product of most East European countries.

Short-term fixes to standards are unlikely to be anything other than that. Resolution of an immediate problem often results in calls for further fixes. Recent correspondence from the European Commission to the IASB has highlighted three other issues that the Commission believes should be addressed by the IASB, one seeking further reclassifications, one an existing measurement issue that has been exacerbated as a result of the current reclassifications, and one impairment issue. In response to these requests the IASB and the US Financial Accounting Standard Board set up roundtable discussions in London, New York and Tokyo to flush out the accounting issues that have surfaced as a result of the market turmoil so both Boards can decide how best to act. Inevitably the accounting issues raised are not new, but since the numbers have got bigger they matter more.

Whether financial assets should be measured at fair value or amortised cost, or a choice of either depending on what you plan to do with the assets, are the basic questions that are at the core of financial instrument accounting. Whether a financial liability should be measured at the amount you owe, or the fair value of the amount you owe, is the same question, but applied to the other side of the balance sheet. Those pro-full fair value accounting claim to have a good case for switching to one single measurement base for all instruments. It would make life simpler and more comparable and would remove the wish to be able to reclassify items. Those that wish to limit the use of fair value often seek to do so on the basis of intent. However, this potentially creates the need for a body of literature on what to do if an entity's intent changes. Intent-based accounting in some quarters is a dirty word – others point out that it is simply reflecting how management run the business.

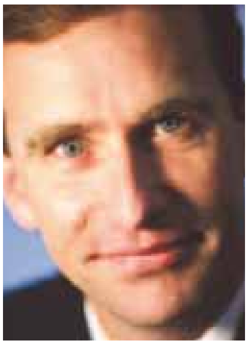
A fundamental rethink of how financial instruments should be measured and what the income statement should look like is needed. Indeed, the Board started work on both of these projects long before the recent crisis began. Both projects have led to discussion papers, with the paper on reducing complexity of reporting financial instruments receiving a hefty 157 responses. Although we are only at the beginning of a long road for US domestic registrants switching to IFRS it is worth noting that 29 of these comment letters came from US companies. A sign that as the cumulative accounting losses being borne by global financial institutions continues to grow the interest in the long-term direction of accounting measurement is genuinely going global.

Andrew Spooner, Deloitte's lead partner on financial instrument accounting

1 Deutsche Bank, Handelsbanken, HBOS, HSBC, Lloyds TSB, RBS, Schroders, Swedbank, Unicredit

A coffee with… Stephen Cooper

Stephen Cooper is a Board member of the IASB. Previously he was Managing Director at UBS, heading their valuation and accounting research group.



You became a part-time Board member in July 2007 – this was the start of the credit crisis. Did you know something that we didn't?

It certainly turned out in retrospect to be quite good timing. No, I had no idea what was going to happen, but it has certainly been an interesting time at the IASB.

As an analyst do you believe that you see the accounting problems differently from other Board members?

In some respects, perhaps. Because of our various professional backgrounds we all look at the issues at hand from slightly different angles and I see this as being very positive. But overall all of us are trying to look at problems from the perspective of how we can improve financial reporting and communicate better with investors.

Is the balance of the IASB's projects between measurement and disclosure right?

I am not sure that I have been here long enough and gone through enough different projects yet to see the matter in a comprehensive way from the inside. In the consolidation project, for example, we did consider disclosure concurrently with the issue of what to consolidate. However, in the project on liabilities and equity the focus has been mainly on recognition and partially on measurement. I would have preferred to have disclosures included in the project and felt that without seeing the complete package it was difficult to make a judgement about what was the best of the three approaches that were proposed.

What kind of reaction do you expect to the recent discussion paper on financial statement presentation?

There are some aspects that analysts for instance will really like, eg the aligning of the different statements to produce a more cohesive picture and the flexibility given where presentation is based on what is seen through the eyes of management. Other aspects are likely to cause more discussion such as the direct method for statements of cash flows and possibly the reconciliation statement for instance. In particular, preparers might have alternative views on this new approach. I would really like people to give some serious thought to the direct cash flow method, and instead of saying 'this is too expensive and difficult to calculate and therefore we don't like it', perhaps they could identify whether there are variations on the direct method cash flow approach that would be more cost-effective. But I am not worried about a lively discussion. This is a discussion paper and what we want is that people have a critical look at it and tell us what they think about our approach and maybe show us what might be better alternatives.

We hear that it is mainly preparers that comment on your consultation documents and less investors – why do you think that is?

Many investors react only when new proposals are put into effect. I think that is because it is very difficult to get them interested in proposals we are discussing at the moment when the first practical change won't be until the 2012 financial statements. That is a concern to us and that is why we are trying to be very active in our outreach to investors. However, there are some analyst groups that closely follow our work, like the CFA Institute, CRUF and others, which is good, and we certainly make use of their input in our deliberations.

Do you think some of the recent criticism that accounting partly contributed to the recent crisis is fair?

I don't think so but I can see where people are coming from in making those comments. I think the crisis is a matter of poor decision-making, not poor accounting.

In retrospect, do you have any regrets about the recently issued IAS 39 amendment on reclassification of financial assets?

There was the argument for a level playing field with US GAAP which was partially valid and this is why we agreed to the amendment. But I don't believe that we particularly improved accounting as a result of it. One thing we should have made clearer right at the beginning was that the disclosures that we put in place should apply to interim and quarterly statements. We only realised shortly afterwards that this might be an issue. This is the kind of thing that can happen when there is no proper due process. However, we clarified the effective date in a subsequent amendment.

Do you expect there to be any more short-term fixes to IAS 39?

We have just completed a series of public roundtables in which we consulted people about exactly that issue and we are also creating a high level advisory group jointly with the FASB that will be examining whether there are outstanding issues that need to be addressed in the short or long term. However, I don't think we will be undertaking further amendments outside the due process. Even the G20 in their conclusions emphasised the importance of our due process.

You dissented from the exposure draft to amend IAS 33 *Earnings per Share*. Is this the first of many dissents?

I have no idea how many documents I will disagree with, because this depends entirely on the outcome of each single project.

In summary, why did you dissent?

My dissent was mainly because of the change to diluted earnings per share and the fair value method that has been introduced. Whilst that change was not particularly significant in its own right, because it applied to only a pretty limited group of financial instruments, I felt that it was a change that potentially could become much more significant if we were to make changes in the liabilities and equity project. If we moved towards a basic ownership type model then we would have more derivatives that are settled in shares measured at fair value in the income statements and then this amendment to IAS 33 assumes much greater significance. I felt therefore that we should consider changes to earnings per share in conjunction with the liabilities and equity project because to my mind they are very much interconnected. I also thought that IAS 33 could do with a more fundamental reconsideration. Besides, we are not really converging fully with US GAAP in this process. We cannot do so when we have different definitions of equity instruments.

How big a step would it be for US domestic issuers to apply IFRSs?

The US SEC proposed a roadmap for a transition to IFRSs. If this roadmap is adopted some companies could apply IFRSs from 2010 on. However, a general decision would be made only in 2011. If in 2011 the US decides to adopt, it would be as big a change as it has been for any country to switch to IFRSs. Is it a bigger deal for the US to move to IFRSs than for other countries? Well, arguably perhaps yes, given the volume of US GAAP guidance, but then in some respects US GAAP is closer to IFRSs than many of the accounting systems that have switched to IFRSs in the past.

With the US on board do you think there will be a greater pressure on the IASB to produce more rule-based guidance?

Most people recognise the value of principle-based standards. However, there is some pressure on the IASB and the IFRIC even from outside the US to issue more guidance and be more rule-based. The requests to add guidance to exposure drafts are present anyway. We do our best to resist unnecessary guidance and try to keep things as principle-based as possible. Will we have greater pressure from the US? We might have. How that will play out we shall have to wait and see, but I hope that we shall deal with those requests in the same way that we deal with the requests that we have at the moment and evaluate them all on their merits. We should also not forget that one of the reasons why the US is considering the adoption of IFRSs is the fact that IFRSs are principle-based.

Which project do you think is going to be the biggest challenge for the Board over the next couple of years?

There is a group of interconnected projects that are going to present the greatest challenge, and they all surround different versions of liabilities – revenue recognition, insurance, the IAS 37 liability measurement, pensions and fair value measurement. All of these are interconnected because they deal with different versions of liabilities, and they represent fundamental challenges to the way in which we measure performance.

I would add to that list the conceptual framework, given that all of those issues are in a sense linked to the framework project.

Which standard would you rip up and start again?

The obvious one is IAS 39, for which we issued a discussion paper in March 2008. There must be a simpler more principled way of dealing with financial instruments. Some would say it's very easy–you just have fair value for all financial instruments and this would be simpler and a more principled way of writing the standard. Whether it's a simpler answer for preparers and users is another issue. It may well be more difficult for preparers and it may well produce more confusion for the users unless we get the presentation and disclosure right. I don't believe that fair value is necessarily the right solution for all financial instruments as there are other principle-based approaches that can be present within a mixed measurement model. The financial crisis has highlighted that this project is a priority.

With so many projects going on at the same time do you think that the IASB has bitten off more than it can chew?

There is certainly pressure on the Board in coping with all the various projects. There is a capacity constraint on the Board in terms of the time available to discuss the projects and for the Board members to read all the various documents. Can we cope with the projects that we have on the agenda at the moment? Yes, I think we can. Can we achieve all of them on time? That remains to be seen. There are always unforeseen difficulties that come up with projects, and experience suggests that it is a challenge to keep projects to their original timetable, but I don't believe the current workload is too much. It may be that some projects will go rather slower than people would perhaps like. For example, we put common control transactions on our agenda last year but we have yet to make any significant progress on that project because staff and the Board resources are devoted to other more pressing things.

Good, bad or ugly?

• Convergence with US GAAP	Good
• EU carve outs	Ugly
• IAS 39	Bad as it stands
• Fair value for all financial instruments	Potentially good – there may be better approaches
• Bank bail outs	Good, if it saves the world!
• Current insurance accounting measurement	Bad
• Future of investment banking	Bad, in the short term
• Current P&L presentation	Bad
• David Tweedie's retirement	I have to say, bad!

The IASB's response to the credit crisis

For more information on the IASB's planned response to the credit crisis, refer to the IASB website at www.iasb.org

The primary focus of the IASB over the past few months has been in response to the credit deterioration in global financial markets (the 'credit crisis') and more is planned. The resulting outputs to date include:

- an amendment permitting the reclassification of certain financial instruments, as was already allowed under US GAAP;
- educational guidance on the application of fair value measurement when markets become inactive;
- a proposed amendment to IFRS 7 *Financial Instruments: Disclosures* to improve financial instruments disclosures in particular fair value and liquidity disclosures;
- a series of public roundtable discussions in London, New York and Tokyo on the identification of accounting issues in response to the recent market events; and
- the formation of a global advisory group (jointly with the US FASB) with the role to review reporting issues related to the credit crisis. The group will be comprised of investors, regulators, preparers and auditors among others. Hans Hoogervorst, Chairman of the Netherland Authority for the Financial Markets (the Dutch securities regulator), and Harvey Goldschmid, former Commissioner of the US Securities and Exchange Commission, will co-chair the group.

Reclassification of financial assets – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*

In response to calls from constituents for the IASB to act swiftly to address inconsistencies arising with US GAAP as a result of the credit crisis, due process was suspended to enable the IASB to issue an amendment on reclassification to IAS 39. The changes to IAS 39 permit an entity to reclassify, in limited circumstances, certain non-derivative financial assets out of the 'fair value through profit and loss' and 'available-for-sale' categories. The criteria for reclassifying financial assets depends on whether the asset was originally held for trading and whether it meets the definition of a loan and receivable. IFRS 7 was also amended to require extensive disclosures in the event such reclassifications are undertaken to permit a user to understand the financial results had the entity not reclassified.

Reclassifications made before 1 November 2008 could take effect from 1 July 2008 (but not before), or any date thereafter until 31 October 2008 with documentation in place by this date. For example, an entity with an October year end could have chosen 1 August as the date of reclassification to align with their quarterly reporting. Equally, an entity's intent to hold for trading purposes may have changed part-way through a period for different loans, say 5 September, 25 September etc., as a result of specific events on those dates. An entity could reclassify at various dates if the criteria were met and evidence is available regarding the change of intent.

Reclassifications made on or after 1 November 2008, however, are effective from the date of reclassification i.e. reclassifications are made on a real-time basis with no 'backdating' allowed.

This educational guidance can be downloaded from the IASB Website: www.iasb.org/expert-advisory-panel

IASB Guidance: *Measuring and disclosing the fair value of financial instruments in markets that are no longer active*

The IASB has published educational guidance prepared by an expert advisory panel on the application of fair value measurement when markets become inactive. The guidance does not change IAS 39 or IFRS 7 but it does clarify how these standards apply in inactive markets. The first half of the report is dedicated to how to determine fair value and the second half provides guidance on the application of IFRS 7 and good examples of disclosures from recent financial statements. While this guidance is tailored to financial instruments, sections discussing underlying principles of fair value measurement may also be relevant to the measurement of non-financial assets such as investment properties.

The following amendments can be downloaded from the IASB's website: www.iasb.org

Deloitte (Global) has published special editions of the IAS Plus newsletter summarising each amendment. You can find them at: http://www.iasplus.com/iasplus/iasplus.htm

Improving disclosures about financial instruments – Proposed amendments to IFRS 7

As a further response to current market conditions, the IASB has released an exposure draft (ED) to improve disclosures in IFRS 7 regarding fair value measurements and liquidity risk. In particular, the proposed amendment requires entities to clearly explain how the fair values of financial instruments are determined within a three level hierarchy as follows:

Table 2. Proposed fair value hierachy

Level	Fair value determination
1	Quoted prices in active markets for the **same** instrument (ie. without modification or repackaging).
2	Quoted prices in active markets for **similar** assets or liabilities or other valuation techniques for which all significant inputs* are based on observable market data.
3	Valuation techniques for which **any** significant input is **not** based on observable market data.

* The ED defines 'significant input' as being significant in the context of the fair value measurement in its entirety. It also states that the assessment of significance of a particular input requires judgement.

Disclosures proposed for each class of financial instrument carried at fair value in reference to the hierarchy are:

- level in the fair value hierarchy into which the fair value measurements are categorised;
- for any instrument valued using level 3 valuation techniques, a reconciliation from the beginning balances to the ending balances;
- the total amount of unrealised gains or losses shown in the reconciliation for those instruments still held at the end of the reporting period, and a description of where those unrealised gains or losses are presented in the statement of comprehensive income;
- for fair value measurements using level 3 valuation techniques, if changing one or more of those inputs to reasonably possible alternative assumptions would change fair value significantly, the entity needs to disclose that fact and the effect of those changes for each class of financial instrument; and
- any movements between the levels of the fair value hierarchy and reasons for those movements.

In addition, fair value disclosures for financial instruments not measured at fair value (e.g. those classified as loans and receivables or held-to-maturity) should also be analysed across the three levels.

The following tables demonstrate how the first two items in the above list might be disclosed, as reproduced from the Illustrative Examples set out in the ED.

Table 3. Disclosures of fair values in accordance with the fair value hierachy

				Assets measured at fair value
				Fair value measurement at end of the reporting period based on:
		Quoted prices in active markets for the same instrument (Level 1)	Valuation techniques for which all significant inputs are based on observable market data (Level 2)	Valuation techniques for which any significant input is based on observable market data (Level 3)
Description	**31 Dec 20X2**	**CU million**	**CU million**	**CU million**
Financial assets at fair value through profit or loss	60	25	15	20
Available-for-sale financial assets	75	65	–	10
Total	135	90	15	30

Table 4. Assets measured at fair value based on valuation techniques for which any significant input is not based on observable market data (Level 3)

			Fair value measurement at reporting date
	Financial asset at fair value through profit or loss	Available-for-sale financial assets	Total
	CU million	**CU million**	**CU million**
Beginning balance	14	11	25
Total gains or losses in profit or loss	11	(3)	8
in other comprehensive income	4	–	4
Purchases, issues and settlements (net)	(7)	2	(5)
Transfers into/out of level 3	(2)	–	(2)
Ending balance	20	10	30
Total unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	7	–	7

The proposed amendments to fair value disclosures arose partly from the work of the Expert Advisory Panel (see above). Some financial institutions reporting under IFRS voluntarily disclose this information already and more are likely to do so prior to the ED being finalised. The Committee for European Securities Regulators (CESR) is also encouraging similar disclosures.

With respect to liquidity risk disclosures, the ED proposes:

- clarifying the scope of items to be included in the liquidity risk maturity analysis. The definition of liquidity risk would include only financial liabilities that are settled by delivering cash or another financial asset. This would exclude financial liabilities settled in an entity's own equity instruments and contracts over the receipt or delivery of non-financial items that fail the own use exemption in IAS 39; and

- expanding the liquidity risk maturity analysis to focus on the way an entity manages its liquidity risk, and distinguishing between derivative and non-derivative financial liabilities. For derivative financial instruments, the maturity analysis should be based on either expected or contractual cash flows depending on how an entity manages its liquidity risk. For non-derivative financial liabilities, disclosure is of contractual cash flows as a minimum (as currently required under IFRS 7). However, if an entity manages its liquidity risk based on expected maturities, an additional maturity analysis based on remaining expected maturities will be required.

Comments are due by 15 December 2008.

Other activities of the IASB

The following amendments can be downloaded from the IASB's website: www.iasb.org

Deloitte (Global) has published special editions of the IAS Plus newsletter summarising each amendment. You can find them at: http://www.iasplus.com/iasplus/iasplus.htm

Eligible Hedged Items – Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*

This amendment clarifies how the principles of hedge accounting are applied to the designation of a one-sided risk in a hedged item, and inflation in a financial hedged item. Entities are required to apply the amendment retrospectively for annual periods beginning on or after 1 July 2009.

Revised IFRS 1 *First-time Adoption of IFRS*

Given the many amendments made to the standard, IFRS 1 has been revised to improve the structure of the standard, with no technical changes made.

Proposed amendments to IAS 33 *Earnings per Share*

As part of its convergence project with the US FASB, the IASB has issued an ED aiming to eliminate some existing differences in determining the denominator (i.e. the number of shares) in an earnings per share (EPS) calculation. The numerator (i.e. earnings) in an EPS calculation will continue to be different under IFRSs and US GAAP.

The proposed amendments aim to converge:

- the main principle determining what instruments are included in basic EPS;
- the EPS impact for contracts that require the entity to buy back its own ordinary shares for cash or other financial assets that are not fair valued through profit or loss, e.g. forward purchase contracts over own equity;
- the EPS treatment of participating instruments that are classified as financial liabilities; and
- the calculation of diluted EPS when an entity has participating instruments and two-class ordinary shares.

The ED also proposes:

- clarification that an instrument (or the derivative component of a compound financial instrument) measured at fair value through profit or loss that may result in the issue or acquisition of ordinary shares in the future, should not adjust the numerator or denominator of the diluted EPS calculation;
- the period end share price should be used in determining whether an option, warrant or equivalent is dilutive. IAS 33 currently requires the average share price for the period;
- the removal of guidance determining whether forward purchase contracts or written puts over own equity are dilutive as a result of the change noted above regarding buy backs of ordinary shares; and
- prohibiting inclusion of supplementary EPS information on the statement of comprehensive income. Any supplementary EPS information disclosed using a different amount of earnings than is required by IAS 33 may only be disclosed in the notes to the financial statements.

Proposed amendments regarding discontinued operations

This amendment proposes changes to the definition of discontinued operations in line with the IASB's intention that discontinued operations should only represent major strategic shifts in operations. As a result, it is expected that fewer components would be classified as discontinued.

A discontinued operation was previously defined as "*a separate major line of business or geographical area of operations to be disposed of in a co-ordinated plan*" or "*a subsidiary acquired exclusively with a view to resale*". The new definition would align more closely with other standards, defining a discontinued operation as a component of an entity that is either:

- an operating segment (as defined in IFRS 8 *Operating Segments* that has been disposed of or is classified as held for sale; or

- a business (as defined by IFRS 3 *Business Combinations*) that meets the criteria to be classified as held for sale on acquisition.

The amendment also proposes some additional disclosures regarding components of an entity that have been or will be disposed of.

Additional exemptions proposed for first-time adopters

The IASB has proposed some additional exemptions for first-time adopters covering oil and gas assets, assets used in operations subject to rate regulation and arrangements containing leases. These exemptions are areas of interest in some jurisdictions (notably Canada) that are planning to adopt IFRSs in the near future.

Proposed improvements to IFRSs – take two

This is the second exposure draft published under the IASB's annual improvements process with twelve separate amendments impacting eight standards. While the majority of the amendments just clarify wording or address areas of inconsistency in Standards, some of the amendments are likely to be contentious. For example, the proposed amendment to IAS 7 *Statement of Cash Flows* will only allow expenditure resulting in a recognised asset to be classified as a cash flow from investing activities. This may impact entities that have significant expenditure from research or exploration activities. Other potentially contentious issues include proposed guidance on determining agency relationships, and clarifications on foreign currency embedded derivatives.

News from IFRIC

Deloitte (Global) has published special editions of the IAS Plus newsletter summarising these interpretations. You can find them at: http://www.iasplus.com/iasplus/iasplus.htm

New interpretation: IFRIC 15 *Agreements for the Construction of Real Estate*
IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and, accordingly, when revenue from the construction should be recognised.

This IFRIC clarifies that contracts will only be in the scope of IAS 11 if the buyer can specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (whether or not it exercises that ability). This may result in a move for some entities from recognising revenue as construction progresses to recognising revenue at a single time – at delivery. The IFRIC indicates that some contracts within the scope of IAS 18 may transfer to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses, resulting in recognition of revenue as the project progresses.

IFRIC 15 is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively.

New interpretation: IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
IFRIC 16 clarifies three main issues:

1. Foreign currency risk exposure only arises from exposure to the functional currencies of the foreign operation and the parent entity. The presentation currency does not create an exposure to which an entity may apply hedge accounting. Therefore, a parent entity can designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

2. Any entity or entities within a group can hold a hedging instrument(s) in a hedge of a net investment in a foreign operation.

3. When an entity disposes of an investment, IAS 39 determines the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, and IAS 21 applies in respect of the hedged item.

IFRIC 16 is effective for annual periods beginning on or after 1 October 2008 and can be applied retrospectively or prospectively.

New interpretation: IFRIC 17 *Distributions of Non-cash Assets to Owners*
IFRIC 17 clarifies that non-cash distributions to owners:

- are recorded as a dividend payable when the dividend is appropriately authorised and is no longer at the discretion of the entity;

- are measured at the fair value of the net assets to be distributed; and

- any difference between the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss.

This will be a change in treatment for entities that previously recognised the distribution at the carrying amount of the assets distributed. Given expected difficulty in obtaining fair values for assets previously distributed, the interpretation is applied prospectively for annual periods beginning on or after 1 July 2009 with earlier application permitted.

Draft interpretation: IFRIC D24 *Customer Contributions*

This proposed interpretation addresses the scenario where an entity receives an asset that it will then use to provide access to an ongoing supply of goods or services to a customer. In some cases, the entity receives cash which it must use to acquire or construct the asset that will provide access. Redeliberations on the draft interpretation were completed at the IFRIC's November 2008 meeting. Given some significant changes in respect of revenue recognition, the IFRIC will post the near-final draft of the interpretation (to be renamed 'Transfers of Assets from Customers') on the website for a longer than normal period to allow for comment prior to their January 2009 meeting.

The near final draft should be available on the IASB's website at www.iasb.org

Other international news

For more information on the SEC's roadmap refer to the Deloitte US ***Heads Up*** publication at: http://www.iasplus.com/usa/headsup/headsup0811roadmap.pdf

Update on possible US adoption of IFRS

The US Securities and Exchange Commission (SEC) has now issued its proposed IFRS 'roadmap' outlining seven milestones that, if achieved, could lead to mandatory transition to IFRSs from 2014. Four milestones cover issues that need to be addressed before mandatory adoption:

- improvements in accounting standards;
- accountability and funding of the IASC Foundation;
- improvement in the ability to use interactive data for IFRS reporting; and
- education and training on IFRSs in the US.

The remaining milestones discuss the transition plan for the mandatory use of IFRS covering limited early use by eligible entities, the date of future rule making and implementation of mandatory use.

Based on the outcome of the first four milestones, a decision on whether the US will adopt IFRSs is expected in 2011.

UK GAAP round up

ASB issues amendments to FRS 26 (IAS 39) *Financial Instruments: Recognition and Measurement* and/or FRS 29 (IFRS 7) *Financial instruments: Disclosures* and FRS 25 (IAS 32) *Financial Instruments: Presentation*

The Accounting Standards Board (ASB) has issued the two amendments and one exposure draft affecting FRS 26 and/or FRS 29 following from the amendments made by the IASB as summarised above:

- Eligible Hedged Items;
- Reclassification of Financial Instruments; and
- ED: Improvements to Financial Instruments Disclosures.

In addition, the amendment to FRS 25 (IAS 32) *Financial Instruments: Presentation* to change the classification from liabilities to equity of certain puttable financial instruments has now been issued.

ASB issues amendment to FRS 8 *Related Party Disclosures*

The ASB has recently issued an amendment to FRS 8 to reflect changes to the law introduced by *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008*. The amendment:

- aligns the definition of a related party with the definition included in law; and
- withdraws the scope exclusion for 90% subsidiaries. The exemption to disclose transactions entered into between two or more members of a group will now only apply to subsidiary undertakings where a party to the transaction is wholly owned by a member of the group.

Entities that had previously taken this scope exclusion have some relief on complying with the amendment, as they will not be required to provide comparative amounts in the first year of adopting the amendment where such information cannot be obtained.

The amendment applies to accounting periods commencing on or after 6 April 2008, consistent with the Regulations.

ASB issues *Improvements to Financial Reporting Standards*

This improvements standard has been issued by the ASB so as to maintain the existing levels of convergence between UK standards and IFRS.

ASB issues exposure draft – Amendments to FRS 2 *Accounting for Subsidiary Undertakings*, FRS 6 *Acquisitions and Mergers* and FRS 28 *Corresponding Amounts*

FRS 2, 6 and 28 have been amended to reflect the introduction of the *Companies Act 2006* (the Act) and *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (the Regulations). The amendments do not change the requirements of the FRSs, only updating the references in the FRSs so that they correspond with the requirements set out in the 2006 Act and 2008 Regulations.

UITF Issues Abstract 46 (IFRIC Interpretation 16) *Hedges of a Net Investment in a Foreign Operation*

The UITF has now issued Abstract 46 to implement the IFRIC's interpretation regarding hedges of a net investment in foreign operations.

The ICAEW publishes draft guidance on distributable profits under the Companies Act 2006

TECH 07/08 *Draft guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006* updates TECH 01/08 to take account of the 2006 Companies Act and some additional issues. This Technical Release is a consolidation of existing guidance under the Companies Act 2006 and supersedes TECH 01/08 immediately because the provisions of the 2006 Act on distributions are already in force.

For a copy of the draft guidance visit the ICAEW's website at: http://www.icaew.com/index.cfm/route/154669/icaew_ga/en/Technical_amp_Business_Topics/Technical_releases/Tech/2008_technical_releases

It is referred to as draft guidance as there are a couple of minor issues on which comments are specifically invited because they are matters of generally accepted practice rather than matters of law. The document will be finalised once the consultation process on these matters is completed.

Certain issues such as foreign currency share capital and the provision of further guidance on linkage and Jersey cash box structures are being carried forward as a separate project and are not addressed in this document.

The ICAEW publishes guidance on materiality in financial reporting

TECH 03/08 *Guidance on materiality in financial reporting by UK entities* is an update to previous guidance to take account of current thoughts on materiality, UK literature and IFRS. This guidance applies to preparers of financial statements in compliance with companies legislation, providing them with the practical application of definitions and explanations of materiality.

Governance activities of the FRC are summarised in our newsletter ***Governance in Brief***, available at: http://www.deloitte.com/dtt/article/0,1002,cid%253D75387,00.html

Financial Reporting Council (FRC) undertakes a review of goodwill impairment disclosures

The FRC reviewed the 2007 financial statements of a sample of 32 listed companies (with significant goodwill balances) and assessed the completeness and clarity of their disclosures regarding goodwill. The review noted that the level of detail in disclosures on impairment testing of goodwill varied greatly, with the majority of companies providing largely generic information. Only six companies were noted as providing company specific information sufficient to enable investors and lenders to understand the factors affecting the valuation of goodwill.

FRC issues guidance on going concern and financial reporting

The FRC has issued two documents to assist Audit Committees and Directors with some of the corporate reporting challenges arising from the current economic condition. The first document is a report titled *Challenges for Audit Committees Arising from Current Economic Conditions* and identifies key questions that the Audit Committee should consider when preparing for the year end and in carrying out their role in relation to annual financial statements.

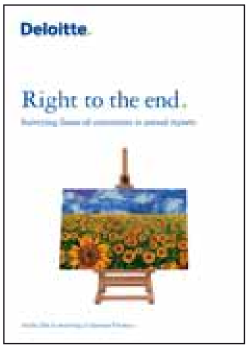
The second publication is *An Update for Directors of Listed Companies: Going Concern and Liquidity Risk* which collates existing guidance and recent developments relating to going concern and liquidity risk. In summarising the accounting requirements related to going concern, the document outlines the three possible outcomes of considerations made by the Directors and subsequent consequences as follows:

Decision on going concern	Consequences for the directors' statement on going concern (examples provided in appendices)	Consequences for the audit report
No material uncertainties leading to significant doubt about going concern have been identified by the directors.	Disclosure explaining the conclusion on going concern and how it was reached.	Unmodified report (clean), provided the auditors agree with the directors' assessment and supporting disclosures.
Material uncertainties leading to significant doubt about going concern have been identified by the directors.	Disclosures explaining the specific nature of the material uncertainties and explaining why the going concern basis has still been adopted.	Modified report including an emphasis of matter paragraph highlighting the existence of material uncertainties, provided the auditors agree with the directors' assessment and supporting disclosures.
The directors conclude that the going concern basis is not appropriate.	Disclosures explaining the basis of the conclusion and the accounting policies applied in drawing up financial statements on a non going concern basis.	Unmodified report (clean), provided that the accounts contain the necessary disclosures and the auditors consider the basis to be appropriate to the specific facts and circumstances.

These publications do not establish any new requirements.

In FRC is also in the process of updating its 1994 guidance for directors on going concern and financial reporting.

Publications



New corporate reporting publications

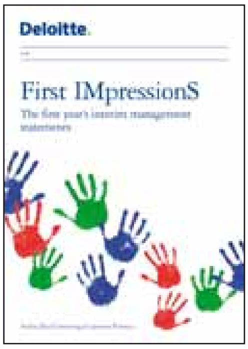
Write from the start – Surveying narrative reporting in annual reports and *Right to the end – Surveying financial statements* are the latest in Deloitte's financial reporting series focusing separately on the narrative reporting and financial statement elements of annual reports.

Write from the start looks at what listed companies are reporting in the narrative sections, that is the parts outside the audited financial statements, in their annual reports. The publication builds on previous surveys and includes an overview of current regulatory requirements and latest developments, as well as 'best practice' examples. This year there has been an increase in both the size of the sample (with separate consideration of investment trusts) and the scope of the survey, which now includes a review of corporate governance statements.

Right to the end picks up where *Write from the start* finishes. The survey analyses the financial statements of the same group of listed companies and includes a review of:

- how compliance with disclosure requirements and the accounting policy choices made under IFRSs varied;
- the level of variety in the presentation of primary statements; and
- which critical judgements and key estimations directors consider to be the most significant.

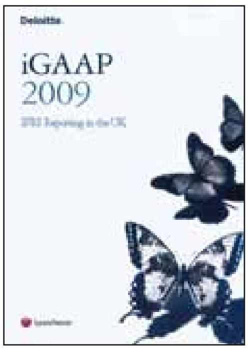
The publication includes detail of some current disclosure requirements and latest developments, as well as various 'best practice' examples.



First IMpressionS – The first year's interim management statements

First IMpressionS considers how UK listed companies have implemented the new requirements for a twice-yearly interim management statement (IMS) in the first year of compliance with the Disclosure and Transparency Rules (DTR). In particular, it surveys interim management statements of UK listed companies (including separate consideration of investment trusts), reviews compliance with the new rules and compares the findings to the 2007 Deloitte publications 'Early Learning' and 'Early Learning II'. It also contains an illustrative IMS, an IMS disclosure checklist containing all the requirements and three example IMSs.

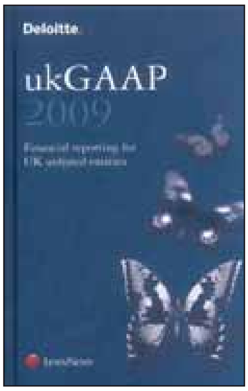
The survey found that only 9% of the selected companies clearly complied with all of the IMS requirements. 4% of companies simply failed to issue an IMS and 6% were late in publishing their statements.



iGAAP 2009 IFRS Reporting in the UK

iGAAP 2009 is the definitive guide for UK listed and AIM listed companies, containing full coverage of every IFRS, IAS and IFRIC with comparisons of the key differences with current UK GAAP. This title contains explanations of upcoming developments in international financial reporting including disclosures under UK legislation, regulations on director's remuneration, and other financial reporting obligations. It has been updated from the previously published iGAAP 2007 to include the revised versions of IFRS 3, IAS 27 and IAS 1, newly issued IFRIC 13, 14, 15 and 16, and includes the many amendments made by the IASB. In addition it has been updated to reflect changes in financial reporting as a result of the Companies Act 2006.

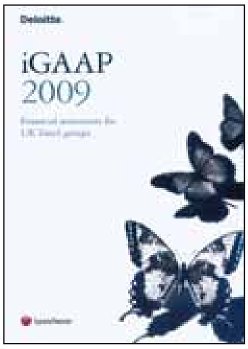
For information on the full range of iGAAP products from Deloitte, please visit www.lexisnexis.co.uk/deloitte



ukGAAP 2009 Financial reporting for UK unlisted entities

ukGAAP 2009 deals comprehensively with UK accounting and reporting requirements in issue as at 31 August 2008. In a change to previous editions this book also includes full guidance on financial instruments, including the requirements of FRS 26 and FRS 29. The book is therefore suitable for all non-listed entities whether they have adopted the fair value accounting rules or not. Other new material includes:

- implications of the Companies Act 2006 and related statutory instruments;
- minor amendments to existing standards;
- UITF Abstracts 43 to 45; and
- selected guidance issued by ICAEW and ICAS including TECH 01/08.

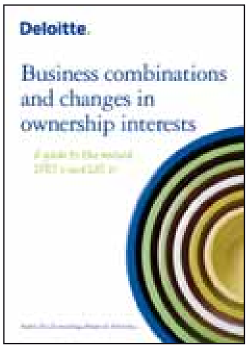


iGAAP 2009 – Financial statements for UK Listed Groups

The new edition of *iGAAP 2009 – Financial statements* for UK listed groups provides a model annual report dealing with IFRS accounting and reporting requirements for years ending 31 December 2008.

New material includes:

- additional reporting requirements of the Companies Act 2006 and related statutory instruments;
- amendments in the corporate governance and audit committee sections of the model annual report reflecting the new FSA rules;
- example disclosures of IFRS 3 revised (2008) *Business Combinations* and IAS 27 revised (2008) *Consolidated and Separate Financial Statements*; and
- summary of new requirements of IAS 1 revised (2007) *Presentation of Financial Statements*.



New Deloitte Guide to the Revised IFRS 3 and IAS 27: *Business Combinations and Changes in Ownership Interests*

This guide deals with accounting for business combinations under IFRS 3 (Revised 2008) and the related requirements of IAS 27 (Revised 2008) – particularly as regards the definition of control, accounting for non-controlling interests, and changes in ownership interests.

IFRS issued but not yet effective or endorsed by EU

Title	Subject	Mandatory for accounting periods starting on or after	Endorsed* or when endorsement expected (EFRAG 28/11/08)
IAS/IFRS standards			
IFRS 3 (revised Jan. 2008)	Business Combinations	1 July 2009	Q2 2009[2]
IFRS 1 (revised Nov. 2008)	First Time Adoption of IFRS	1 January 2009	To be confirmed[1]
Amendments to IAS 23 (March 2007)	Borrowing Costs	1 January 2009	December 2008[1]
Amendments to IAS 1 (Sept. 2007)	Presentation of Financial Statements	1 January 2009	December 2008[1]
Amendments to IAS 27 (Jan. 2008)	Consolidated and Separate Financial Statements	1 July 2009	Q2 2009[2]
Amendment to IFRS 2 (Jan. 2008)	Share-based Payment: Vesting Conditions and Cancellations	1 January 2009	December 2008[2]
Amendments to IAS 32 and IAS 1 (Feb. 2008)	Puttable financial instruments and obligations arising on liquidation	1 January 2009	December 2008[2]
Amendments to IFRS 1 and IAS 27 (May 2008)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	December 2008[2]
Improvements to IFRSs 2008 (May 2008)	Improvements to IFRS 2008	1 January 2009	December 2008[5]
Amendment to IAS 39 (July 2008)	Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	Q2 2009[1]
Amendment to IAS 39 (Nov. 2008)	Reclassification of Financial Assets: Effective Date and Transition	1 July 2008	To be confirmed[4]
Interpretations			
IFRIC 12	Service Concession Arrangements	1 January 2008	Q1 2009[3]
IFRIC 13	Customer Loyalty Programmes	1 July 2008	December 2008[4]
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008	December 2008[4]
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009	Q2 2009[4]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	Q2 2009 [4]
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	To be confirmed[2]

* The critical date when considering endorsement is the date of signing the accounts/audit report.

Note 1: may be applied prior to endorsement, but transitional relief (i.e. prospective application) will be lost (if applicable).

Note 2: may not be applied prior to endorsement.

Note 3: may not be applied prior to endorsement for arrangements currently accounted for under IFRIC 4.

Note 4: may be applied prior to endorsement as interpretative only, but transitional relief (i.e. prospective application) will be lost (if applicable).

Note 5: contains a number of items, some of which may be applied prior to endorsement if they do not conflict with existing guidance.

IASB and ASB timetables

ASB Current Projects

Convergence	• The ASB and UITF continually consider what consequential amendments will be needed to UK GAAP once the IASB and IFRIC finalise standards, amendments or interpretations.
Related Party Disclosures	• As noted above, the ASB has recently issued an amendment to bring its definition of related parties into line with the revised Companies Act.
Retirement benefits	• This project is led by the ASB as part of the PAAinE (Pro-Active Accounting in Europe) initiative – a partnership including EFRAG and European standard setters. • The ASB is currently considering responses to the discussion paper *The Financial Reporting of Pensions*.
Accounting for Income Tax	• The ASB and Accounting Standards Committee of Germany (DRSC) have commenced a joint project to consider accounting for income tax from first principles.
Business combinations	• The ASB, as a result of the IASB issuing a revised IFRS 3 and IAS 27, is reconsidering what action is required to FRED 36, 37 and 39 as part of its overall convergence strategy.
Heritage Assets	• The comment period for FRED 42 *Heritage Assets* closed in October 2008. The ASB is currently considering comments.

IASB project timeline – Active projects

Annual Improvements to IFRSs – 2008-2009	• ED issued 7 August 2008. • Final IFRS expected second quarter 2009.
Annual Improvements to IFRSs – 2009-2010	• ED expected second half of 2009.
Common Control Transactions	• Added to agenda December 2007. • Timing not yet determined.
Conceptual Framework Eight phases in all	• ED on objectives and qualitative characteristics was issued in May 2008. Final chapter expected in second quarter 2009. • Discussion paper (DP) on reporting entity was issued in May 2008. ED is expected in second half of 2009. • DP on elements and recognition expected in second half of 2009. • DP on measurement expected second half of 2009.
Consolidation, including SPEs*	• ED expected by end of the year. • Final IFRS expected by end of 2009.
Convergence – Short-term issues, IFRSs and US GAAP*	**IAS 12 Income taxes** • ED expected by the end of the year. **Joint Arrangements – Reconsideration of IAS 31** • ED 9 Joint Arrangements issued 13 September 2007. • Final IFRS expected second half of 2009. **Impairment** • Staff research has begun. **Government Grants*** • Work deferred pending IAS 37 amendments project.
Derecognition*	• ED expected first quarter 2009.
Earnings per share amendment	• Exposure draft issued in August 2008. • Final IFRS expected second half of 2009.
Emissions Trading Schemes	• ED expected second half of 2009.
Fair Value Measurement Guidance	• DP issued 30 November 2006. • ED expected second quarter 2009.
Financial Instruments: Enhanced Disclosures (IFRS 7)	• ED released October 2008. • Final amendment expected first quarter 2009.
Financial Instruments with the Characteristics of Equity	• DP issued February 2008. • ED expected second half of 2009.
Financial Statement Presentation* Phase B: Presentation on the face of financial statements	• DP issued October 2008. • ED expected in 2010.

IASB project timeline – Active projects (continued)

IFRS 1 First-time Adoption of IFRSs – additional exemptions	• ED issued September 2008. • Final IFRS expected second half 2009.
IFRS 2 Amendment – Group Cash-settled Share-based Payment Transactions	• ED issued December 2007. • Final amendment expected first quarter 2009.
Insurance Contracts – Phase II	• DP issued May 2007. • ED expected second half 2009.
Leases*	• DP expected first quarter 2009.
Liabilities (IAS 37 amendments)	• ED issued June 2005. • Final IFRS expected second half 2009.
Management Commentary	• DP issued October 2005. • Output will be best practice guidance, not an IFRS. • ED expected first quarter 2009.
Post-employment Benefits (including Pensions)*	• DP issued March 2008. • ED expected second half 2009.
(IFRS for) Private Entities (previously 'Accounting Standards for Small and Medium-Sized Entities')	• ED issued February 2007. • Final IFRS expected first quarter 2009.
Related Party Disclosures (IAS 24)	• Revised ED expected by the end of the year. • Final IFRS expected second half 2009.
Revenue Recognition*	• DP expected by the end of the year. • ED expected in 2010.

IASB project timeline – Research agenda

Extractive activities	• Group of national standard setters conducting research. • DP expected by the end of the year.
Financial instruments (replacement of existing standards)*	• DP issued 19 March 2008. • Agenda decision expected by the end of the year.
Intangible Assets*	• Decision in December 2007 not to add to agenda but continue as research project.

* IASB projects with milestones agreed in the February 2006 IASB-FASB Memorandum of Understanding on convergence – download the MoU at www.iasplus.com/pressrel/0602roadmapmou.pdf

This timetable is derived from the IASB's published timetable supplemented by decisions and comments made at recent meetings of the Board. You will find details on each project, including decision summaries from each Board meeting, at www.iasplus.com/agenda/agenda.htm

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