

IFRS News

Shedding light on the IASB's activities*

Issue 26
January 2005

In this issue...

- 1 Issue of the month**
Oil and gas roundtable
- 2 IFRS/US GAAP comparison**
Insurance contracts
- 3 Country profile**
Ilan Wright in Latin America
- 4 Interview**
GCRG's secondees from Latin America
- 7 IASB update**
IASB and IFRIC timetables
- 9 Crossword**
- 10 Contacts**

Issue of the month

PwC's oil and gas industry roundtable

Representatives from the European oil and gas sector, the oil and gas team from PwC's Energy, Utilities and Mining industry group and the IASB discuss financial reporting trends and changes in the sector.

PwC held a second roundtable for major European oil and gas companies in London last month. IASB board member Bob Garnett was the featured speaker at the event, which was timed to coincide with the release of IFRS 6, 'Exploration for and Evaluation of Mineral Resources'. Representatives from some of the major European energy companies, including Royal Dutch/Shell, Repsol YPF, ENI, Total, Norsk Hydro, Statoil and BG Group, attended along with their client service partners from PwC. Fred Konings, PwC Eurofirm leader on petroleum, hosted the event.

'We believe it is extremely important for the industry to get together to discuss the issues,' said Mr Konings. 'This is the second such event we have organised and have found it a successful way of exchanging views and raising awareness of some of the key challenges facing the sector. We are witnessing the development of industry-specific GAAP in double-quick time, and our thinking has been that we want to be in on this, together with our clients.'

Bob Garnett spoke about the history of the standard and its implications for oil and gas companies. He described how the Board had listened to respondents and modified the concepts from the exposure draft to ensure that the standard met its primary objective.

He emphasised that the standard addresses a narrow aspect of the activity of companies in the extractive industries – the accounting for exploration and evaluation of mineral resources only. However, within this narrow area, the standard grandfathers current practice. Industry accounting in oil and gas has traditionally been driven by US GAAP practices. Outside of energy and utilities (E&E), it is expected that practices that are consistent with IFRS and the framework will not change significantly on first-time adoption.

'IFRS 6 allows companies to continue their existing practices under national GAAP for the capitalisation of costs arising from E&E activities,' said Mr Garnett. 'It also allows the continuation of current practices for how the costs are considered for impairment testing. A company that looked at E&E on an area or field basis for impairment testing will continue to do so'.

IFRS 6 also allows companies to group cash-generating units for the purpose of impairment testing E&E costs, and doesn't require testing until there is evidence of impairment.

Financial instruments and PSAs

Experts from PwC led discussions in other areas with particular relevance to oil and gas companies. Accounting for financial instruments and derivatives continues to be an area of major interest for energy companies and was the subject of lively debate.

'Due to the significant differences in the scope exemptions between US GAAP and IFRS, more energy contracts are captured within the scope of IAS 39 than FAS 133,' said Kevin Klein, a director in

the financial instruments team of PwC's IFRS Technical Services. 'The income statement volatility resulting from the mark to market of energy contracts can be reduced through the application of the own-use exemption and cash flow hedge accounting. In practice, the application of the own-use exemption and hedge accounting is complex and proving a significant challenge for most energy companies due to their dynamic business models.' Energy companies in particular need to focus on this area because of the important scope difference between US GAAP and IFRS.

Accounting for production sharing arrangements (PSAs), concessions and tax were also hot topics for discussion. A major issue for IFRS oil and gas

companies will be how PSAs should be reported under IFRS and the debate on what is income tax and what is a royalty or excise tax.

'The impact on the balance sheet varies tremendously, based on the classification of the tax,' said Mary Dolson, a partner in PwC's IFRS Technical Services. 'It also impacts the amount of top-line revenue. Oil and gas companies transitioning to IFRS especially need to prepare the marketplace for any significant changes.'

PwC is expecting to publish 'Applying IFRS for Energy Companies' in the first quarter of 2005 to assist first-time adopters and continuing users of IFRS in the energy sector.



Comparison of IFRS and US accounting for insurance contracts

Marie Braverman and Francesco Nagari consider the significant differences between IFRS and US GAAP in accounting for insurance and reinsurance contracts.



IFRS 4 introduces a definition of insurance contracts based on the concepts of insured event and significant insurance risk transfer. This definition applies to insurance contracts issued and reinsurance contracts held.

US GAAP has no single definition of an insurance contract. The classification of contracts under US GAAP is performed by reference to the combined requirements of several different standards (FAS 60, FAS 97, FAS 113 and FAS 120). To make matters more complicated, FAS 97 has been used by analogy in US accounting practice to establish accounting for certain investment products issued by insurers. FAS 97 investment contracts are not insurance contracts under IFRS; they are accounted for under IAS 39.

The IFRS 4 definition of an insurance contract means that companies can no longer analogise to FAS 97 measurement principles with respect to their accounting for deferred acquisition costs (DAC).

IFRS preparers with investment contracts must look to IAS 18 for accounting guidance related to the recognition and measurement of acquisition costs. In addition, if an entity elects to adopt the fair value option under IFRS, the accounting for liabilities associated with investment contracts can be different from US GAAP, where these liabilities are typically reflected at their account value. In the context of fair value, the IFRS requirement to keep the liability at no less than the amount payable on demand (also known as the 'deposit floor') adds another difference to the accounting for investment contracts.

Reinsurance is one area where contracts are not accounted for as insurance under US GAAP but may be defined as insurance contracts under IFRS.

Insured events

Another area where differences in definition arise is the concept of the insured event. Under IFRS, lapse and expense risks arising from insurance

contracts are insurable events. An entity that decides to mitigate these risks by transferring them to another party purchases an insurance contract. However, the fact that lapse or expense risk arises from insurance contracts is not sufficient to meet the definition of reinsurance, as it is not transferring a pre-existing insurance risk accepted from a policyholder. The entity that purchased the contract will therefore have to account for these contracts as direct insurance contracts (outside the scope of IFRS 4 and within IAS 37) rather than reinsurance contracts held. The entity that issued the contract will account for the contract as an insurance contract and continue with its existing accounting policies.

Under US GAAP, the issuer would classify this contract as reinsurance, but it would be required to use deposit accounting because it does not compensate the cedant for losses that arise from the underlying insurance contracts. The cedant would be subject to the same requirement.

Measurement

An entity's existing accounting policies for insurance contracts issued and reinsurance contracts held (including related intangible assets like deferred acquisition costs) are exempt from the 'IFRS hierarchy' and need not be changed on adoption of IFRS 4, except for the following five requirements:

- Provisions for possible claims under contracts that are not in existence at the reporting date are prohibited;
- Insurance liabilities must be tested for adequacy;
- Reinsurance assets must be tested for impairment;
- Insurance liabilities can be de-recognised only when they are discharged or cancelled, or expire; and
- Insurance liabilities and income cannot be offset against related reinsurance assets and expenses.

US GAAP preparers can continue to follow the specific measurement guidance as provided in FAS 60, FAS 97, FAS 113 and FAS 120, as these requirements are similar to US GAAP. However, a few differences should be taken into consideration upon implementation.

The liability adequacy test requirement under IFRS will be met by the FAS 60 premium deficiency test. However, any deficiency resulting from the assumed realisation of unrealised gains or losses are reflected through the income statement under IFRS. In other words, IFRS does not give the option of reflecting a shadow premium deficiency adjustment through equity. In addition, it requires the consideration of guaranteed options in the liability adequacy test. In US GAAP, these are provided for under SOP 03-1 and not explicitly considered in the premium deficiency test.

Deposit accounting and unbundling

IFRS 4 requires the unbundling and separate measurement of the deposit component bundled in an insurance contract only if the deposit can be reliably measured and the entity's

accounting policies do not recognise all rights and obligations arising from it. This requirement is limited in practice to situations where the insurer or reinsurer has established experience accounts that refund the policyholder or cedant but has not appropriately reflected this obligation in its balance sheet. IFRS 4 also allows the unbundling of deposit components on a voluntary basis if the deposit component can be reliably measured. This permission would allow preparers to use the FAS 97 deposit accounting approach for universal life-type contracts (these contracts are likely to qualify as insurance contracts under IFRS because they usually transfer significant insurance risk). For these contracts, US GAAP requires the recognition of the liability representing the policyholder's account balance with the insurer. The account balance concept is equivalent to the deposit component concept in IFRS.

Contracts sold to own defined benefit plan

Insurance contracts sold by an insurer to its own defined benefit plan will generally be eliminated on consolidation. The financial statements will then include:

- the full amount of the pension obligation under IAS 19, with no deduction for the plan's rights under the contract;
- no liability to policyholders under the contract; and
- the assets backing the contract.

Under US GAAP, these contracts are recorded by including the value of the insurance contract as plan assets in the calculation of the company's net defined benefit liability, and reflecting the insurance contract liability in accordance with the applicable insurance accounting guidance.

Embedded derivatives

Embedded derivatives that also meet the definition of insurance contract under IFRS are not required to be separated and fair valued. Options to surrender the insurance contract are exempted from separation and fair value measurement

if the option price is a fixed amount or a fixed amount plus interest.

Under US GAAP, embedded derivatives are not subject to exemptions from the general principle of separation and fair value measurement when they are not closely related to the host contract.

Persistency bonuses

There is a notable difference between IFRS and US GAAP in the area of accounting for persistency bonuses. IFRS 4 classifies persistency bonuses as embedded derivatives; SOP 03-1 treats them as an effective yield adjustment and does not require their separation and fair valuation.

Disclosures

IFRS 4 requires extensive disclosures to allow the users of financial statements to understand the measurement bases adopted, the materiality of the reported amounts arising from insurance contracts and the factors that affect the uncertainty of amount and timing of the cash flows arising from insurance and reinsurance contracts. US GAAP disclosures are less demanding than IFRS. However, similar disclosures are included in other sections of the annual report.

The path forward

By now, most insurers adopting IFRS 4 will have assessed its impact on their 2004 accounts in order to prepare for comparative financial statements required in 2005. Then comes Phase 2, which will establish recognition and measurement guidance and should provide the consistency in financial reporting still lacking under IFRS 4.

The FASB and the IASB announced that Phase 2 for insurance contracts would move forward under a 'modified' joint approach, with the IASB taking the lead.

Marie Braverman is a PwC assurance partner in the US, and Francesco Nagari is a senior manager in the firm's IFRS Technical Services Group.



IFRS developments in Latin America

GCRG leader Ian Wright talks to IFRS News about his recent trip to Latin America to discuss IFRS developments and find out more about the IFRS position in the region.

The challenges facing many countries in Latin America continue to be exacerbated by a lack of inward investment from wealthier nations and, particularly for Argentina, an unresolved economic crisis that has a known effect on neighbouring Uruguay. Despite these difficulties, many businessmen are interested in how they can get better access to capital and in how adoption of IFRS might be a catalyst for change.

Ian's visit brought him into contact with business, regulators and the press. A succession of presentations at breakfast and lunchtime events, each attended by 100 to 150 people, demonstrated that the use of IFRS is being closely watched.

Brazil

Brazil has a number of major subsidiaries of European companies, and this has contributed to an initial interest in IFRS. In addition, a number of Brazilian companies trade their shares in Spain, where commercial and cultural links are particularly strong. These companies are therefore taking a keen interest in how they can better access Spanish and wider European capital markets.

'Brazilian multinationals are very aware that it could be in their interest to move towards IFRS,' said Ian. 'A Spanish company reporting under IFRS that is looking to invest in a Brazilian company will be able to understand the financial statements of that company if it reports under IFRS. Here is a common language that everyone will be able understand.'

'Listings in Europe and the presence of overseas companies in Brazil means that people here are starting to get trained in IFRS. There has been some adoption of IFRS principles into Brazilian GAAP too', said Ian, 'so it's all moving in the same general direction.'

Argentina

Argentina finds itself in a very different position. It has experienced high inflation and instability since the currency crisis, when it was unable to sustain its peg of 1 peso to 1 US dollar. The effects are visible everywhere. The country's current strategic priorities are to resolve various economic issues, reach agreements with creditors on debt repayment and deal with poverty issues.

'I met with stock exchange regulators in Buenos Aires, and our discussions kept returning to the fact that the major challenge is to return to normality,' said Ian. 'The lack of investment in the markets is more the focus than IFRS regulatory issues.'

The currency and inflation crisis generated some uncommon accounting issues. Local standard setters have concentrated on how to deal with high inflation and impairments. To some degree, this has increased rather than reduced the differences between local GAAP and IFRS.

My overall impression is how positive everyone was towards the concept of IFRS. They are approaching it with a very open mind.

Peru

The situation in Peru, in contrast, is one of optimism – about the economy in general and IFRS in particular. Peru has adopted all IFRSs that were in place in December 2002, and there is a widespread debate about how the country can now adopt the 2005 improvements package. Some changes may be needed to local law, although these are not yet under way.

'The feeling in Lima is extremely positive,' said Ian. 'Being able to rely on huge natural resources and the completion of a long-distance gas pipeline into the capital is driving the economy.'

Panama

Panama also had an air of optimism. The Panama Canal became a state asset only a few years ago, having been constructed by the US in the early part of the last century. Its contribution to the economy is substantial (it accounts for around 1/3 of the country's GDP) and, as a centre for shipping, brings international trade and investment.

'I found a lot of interest in IFRS too,' said Ian. 'The Panama Canal Company is already reporting under this framework. There were also a lot of questions at the events I attended about what other countries are doing in relation to IFRS. The atmosphere was extremely positive.'

Mexico

Mexico is in a different position from the other countries that Ian covered on his trip. There is much interest in Mexico from EU multinationals. The local economy benefits from low labour costs and a close relationship with the US. Many are as familiar with US GAAP as are interested in IFRS. The agenda was more directed to convergence between the two sets of standards.

The companies most interested in IFRS issues are subsidiaries of European entities. 'The IFRS concerns in Mexico are similar to those expressed in other countries around the world that are not reporting under IFRS themselves but that have many subsidiaries of EU companies that require this information of them,' says Ian. 'This is what is stimulating the interest and demand in IFRS. A small

number of businesses here are deeply engaged in the issues.'

All the countries Ian visited wanted to hear more about IFRS developments outside of their own territory. 'Brazil is particularly interested in how it can operate in other markets because it is keen to access international capital for development; Peru and Panama seem less concerned about foreign investment. For example, Panama knows that its niche is as a shipping centre and builds

its strategy around this. They both therefore have a different outlook from Brazil and Argentina.

'I met fantastic people in all these countries. Many are really interested in what's happening with IFRS, and enthusiastic to understand how it affects them. My overall impression is how positive everyone was towards the concept of IFRS. They are thirsty for information about how it affects them, and what the future holds'.

Ian attributes this positive approach to the region's accounting background. 'Many Latin American countries have experienced high inflation or hyperinflation that quickly destroys the value of historical cost financial data. They are therefore more open-minded about the use of current value data and discounting – concepts that are embedded in IFRS thinking. This means that they are approaching IFRS concepts with a very open mind.'

Interview

Latin American IFRS expertise in GCRG

Members of PwC's Global Corporate Reporting Group from Argentina, Brazil, Mexico and Uruguay talk about their work back home and their roles as secondees to the firm's global technical function.



Leandro Ardito
Two-year secondment from PwC Brazil (Sao Paulo); arrived GCRG September 2003.

I was working in the Global Capital

Markets Group (GCMG) in the Sao Paulo office on conversions from local GAAP to US GAAP and helping Brazilian companies to access the US and European capital markets. The GCMG, together with our local IFRS technical team, assists Brazilian clients that are subsidiaries of EU-based companies. I look forward to returning to this team at the end of my secondment to put my newly acquired IFRS experience to good use.

I was keen to come to GCRG after spending a few months in Cambridge studying English. I was also encouraged by colleagues in Sao Paulo who had worked in GCRG previously. I didn't realise how hard the work would be before I arrived. As we are not client-facing, we have to obtain very detailed information from the engagement teams we are working with to ensure we have all the facts to be able to give the right answer to their queries. I very quickly had to get used to this new way of working.

I have been on the business combinations and assets team since I arrived, focusing on acquisitions, consolidation, intangible assets, PPE, inventories and agriculture. I have also done financial statement reviews for clients in Brazil, but the rest of the queries I deal with are global.

It is impossible to quantify how much I have learned since I arrived at GCRG, but I am certain it would not be possible to gain this type of experience and depth of knowledge without taking this secondment. If anyone is given the opportunity to do something similar, they should take it – the experience is second to none. My family has also had a fantastic time in London and enjoyed the travel opportunities this secondment has given us.



Christian Minniti
Two-year secondment extended to three years, from PwC Argentina (Buenos Aires); arrived GCRG October 2002.

Before joining GCRG, I was an auditor, spending half of my time in the Buenos Aires technical department and half doing

client work mainly in the CIPs (consumer and industrial products) group. I was nominated to work with GCRG in order to strengthen the local firm's experience of IFRS – our local GAAP is harmonising with IFRS – to better serve our clients in Argentina that are IFRS reporters or that have headquarters in Europe.

I have worked in a number of GCRG teams since my arrival, including the 'assets' team and now the team working with business combinations and first-time adoption of IFRS. I have been involved in developing the Applying IFRS solutions for the Retail & Consumer sector and now focus on answering queries, financial statement reviews and the preparation of training materials.

I was keen to join the GCRG as it is the firm's IFRS centre of excellence, with deep expertise among the partners and staff and a high level of organisation and focus. Working with people from all around the world has broadened my analytical perspective and opened my eyes to new ways of dealing with issues.

And what can I say about being based in London? It is one of the world's top cities, where there are new things to discover every day. I enjoy that a lot!



Fernando Orihuela
Two-year secondment,
from PwC Uruguay
(Montevideo);
arrived GCRG
September 2004.

I was nominated to join the GCRG shortly after my return from a five-month secondment to the firm's Genesis Park programme. This is a professional development programme based in Washington DC that takes on secondees to work in ideas generation, business case development, strategic projects and thought-leadership. I was involved in drafting a first approach to the business strategy for the firm's advisory business following the realignment of the firm's assurance, advisory and tax and legal services arms.

Back in Uruguay working as an auditor once more, I was nominated to join GCRG in order to gain experience in IFRS, which will be mandatory in my country from 2005. My territory was also keen for me to gain experience in the International Standards on Auditing (ISAs) and in Corporate Governance, as we are only beginning to address these areas now in my home country.

I have therefore joined the GCRG's team that looks at Corporate Governance and ISAs. On the CG side, we look at new regulations issued by the European Commission, update the database with new developments and ensure the dissemination of this knowledge to PwC interested parties worldwide. We also respond to queries and produce publications, such as 'Building Capital Markets', due to be updated in the next month. With respect to ISAs, I answer queries, work in the development of the firm position on complex reporting issues, and help develop guidance for the firm's 'Reporting under ISA' tool in consultation with the rest of GCRG and the Global Auditing Practices Board.

Working with the GCRG and being based in London is a wonderful opportunity to develop international contacts and work with a variety of people from different backgrounds and cultures.



Michelle Orozco
Two-year secondment
from PwC Mexico
(Mexico City);
arrived GCRG
September 2004.

My work in Mexico City focused on auditing SEC clients that reported under IFRS with US GAAP reconciliation. I also audited subsidiaries of European companies reporting under IFRS. GCRG reviews these IFRS financial statements for us, and it was decided sending one of us on secondment to the group would help improve local expertise in the standards while developing our international relationship.

In the past, there was no IFRS technical department in Mexico. However, an IFRS technical team is now being developed, and it is possible that I will do some work for this group when I return with my newly acquired IFRS expertise.

Mexican GAAP is currently being revised to be more like IFRS and US GAAP, where these two frameworks converge, although there is no project specifically to adopt IFRS in the near future.

My focus within GCRG is on first-time adoption. I also hope to gain expertise in business combinations and related areas. I respond to queries that the group receives from around the world, perform financial statement reviews and help produce training materials.

Since my arrival, I have realised how complex IFRS really is and how deep the expertise is here. My decision to take this secondment was driven by my desire to pursue new challenges and to continue my professional development. Secondments from the Mexico office usually involve a move to the US – I am so pleased to have the opportunity to come to Europe.

My sister is currently based in Mallorca so I can visit her easily, and my husband is taking a Masters in finance and accounting in London. This may also be a chance for my 16-month-old son to learn some British English!



Fernando Prospero Neto
Two-year secondment
from PwC Brazil (Sao
Paulo); arrived GCRG
July 2004.

I joined PwC's San Jose office in the US from KPMG in 2000, where I worked for two years auditing technology companies and participated on IPOs. I then accepted an offer to join PwC Brazil, where I spent half of my time working in the TICE (technology, infocomm, communication and entertainment) group, auditing international TICE clients dealing with US GAAP but including some IFRS work. The rest of my time was split between working on the technical team (Risk and Quality), responding to queries mainly on US GAAP and IFRS, and working as knowledge coordinator for TICE deploying training tools for the TICE group at SOACAT (South and Central American) level.

I was keen to move to the GCRG in London in order to develop my international experience, particularly at EU level. Colleagues in the R&Q team in Sao Paulo had been seconded to GCRG in the past and had good stories to tell. I am currently focusing on revenue and income tax issues and am really enjoying handling queries from not only Europe but also Asia and Australia, understanding the way they work and how their local legislation impacts the financial reporting process.

My family is also happy to be in London, and we are gradually learning to cope with the winter!

IASB project timetable

Standards that will be mandatory for a first-time adopter of IFRS with a 2005 calendar year-end

Project	ED published	Comment	Standard published/ expected
IAS 39			
– Amendment to fair value option	21 April 2004	21 July 2004	Some time in 2005
– Amendments to IAS 39, transition and initial recognition of financial assets and financial liabilities	8 July 2004	8 October 2004	17 December 2004

Standards mandatory after 2005, but with early application expected to be encouraged once the standards have been published

Project	ED published	Comment	Standard published/ expected
Amendments to IAS 19	29 April 2004	31 July 2004	16 December 2004
Convergence			
– IAS 37	Quarter 1, 2005	Undecided	Some time in 2005
– Post-employment benefits	Undecided	Undecided	Undecided
– Amendment to IAS 20	Some time in 2005	Some time in 2005	Some time in 2005
IFRS 3 – phase 2	Quarter 1, 2005	Some time in 2005	Some time in 2005
IFRS 4 – phase 2			Project timing may change; advisory group committee established.
IFRS 6, Exploration for and Evaluation of Mineral Resources	15 January 2004	16 April 2004	9 December 2004
Amendments to IAS 27	Some time in 2005		Timing expected to match IFRS 3, phase 2
Revenue and related liabilities (FASB and IASB joint project)	Discussion paper expected March 2005	Undecided	Undecided
IAS 32			
– Financial risk and other amendments to financial instrument disclosures	22 July 2004	22 October 2004	Q1, 2005
– Financial instruments disclosures: shares puttable at fair value	Some time in 2005	Undecided	Undecided
Concepts – revenue, liabilities and equity	Some time in 2005	Undecided	Undecided
Consolidation and SPEs	Quarter 1, 2005	Undecided	Undecided
Reporting comprehensive income (FASB/IASB/ASB project)			Discussion paper expected late 2005. Project timing may change; advisory group committee being established.
IAS 39			
– Amendments to IAS 39, Cash Flow Hedge Accounting of Forecast Intragroup Transactions	8 July 2004	8 October 2004	Some time in 2005
– Financial guarantee contracts and credit insurance	8 July 2004	8 October 2004	Some time in 2005
SMEs			Discussion paper issued June 2004; comment deadline 24 September 2004. ED expected 2006.

IFRIC project timetable

The timing below is based on estimated/actual ED release dates and submission deadlines for comment letters. The dates are estimates based on discussions at public meetings and do not represent official IASB release dates. This information is up to date at December 2004.

Project	ED published	Comment	Standard published/expected
IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities			27 May 2004; effective 1 September 2004
IFRIC 2, Members' Shares in Co-operative Entities (D8)	30 June 2004	13 Sept 2004	25 November 2004
IFRIC 3, Emission Rights (D1)	18 May 2003	14 July 2003	2 December 2004
IFRIC 4, Determining whether an Arrangement Contains Lease (D3)	15 January 2004	19 March 2004	2 December 2004
IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Funds (D4)	15 January 2004	19 March 2004	16 December 2004
IFRIC Amendment to SIC-12 Scope of SIC-12 Consolidation – Special Purpose Entities (D7)	30 June 2004	13 Sept 2004	11 November 2004
D5, Applying IAS 29, Financial Reporting in Hyperinflationary Economies for the First Time	11 March 2004	14 May 2004	Some time in 2005
D9, Employee Benefit Plans with Promised Return on Contributions or Promised Contributions	8 July 2004	21 Sept 2004	Some time in 2005
D10, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	25 November 2004	11 February 2005	Some time in 2005
D11, Changes in Contributions to Employee Share Purchase Plans'	16 December 2004	1 March 2005	Some time in 2005

Note: These timetables are tentative and subject to change

Measurement Checklist 2004

PwC's Measurement Checklist 2004 outlines, by balance sheet component, the basis on which assets, liabilities and components of equity are measured.

It includes the requirements of all pronouncements published up to and including October 2004 and is relevant to those entities that have early adopted all the standards and interpretations. It also includes consequential amendments to other standards.

The measurement requirements have been grouped by either the nature of transaction or event giving rise to the asset, liability or component of equity, or the measurement basis, as appropriate.

The publication is a useful companion to the 'Disclosure Checklist 2004'. To order, contact your local PwC office or visit www.pwc.com/ifrs

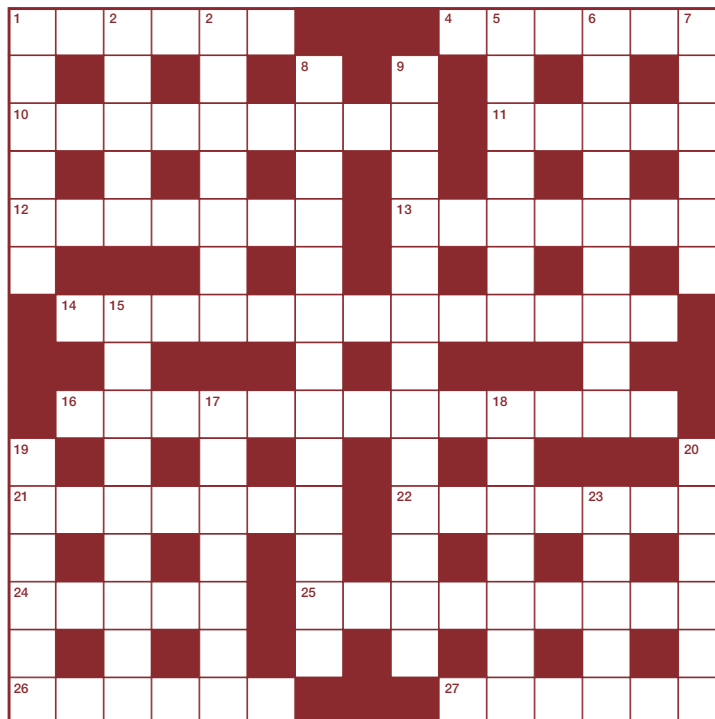


IFRS Crossword

New year, new challenges

Across

- 1 Hanging down from exhaustion or weakness (6)
- 4 Natural body of running water (6)
- 10 Planned and controlled series of moves (9)
- 11 Building used for storage (5)
- 12 More easily excited and disturbed (7)
- 13 Provision or 'cushion' for a rainy day (7)
- 14 Repayment or compensation (13)
- 16 Expulsion of someone from land (law) (13)
- 21 Small horizontal beam on a floor (7)
- 22 Roll in a heavy or clumsy way (7)
- 24 Operating or finance, that is always the question (5)
- 25 Hooligan using hobnailed boots in street fights (6,3)
- 26 If a debit is towards the window, this is by the door (6)
- 27 Payment received by landlord (6)



Down

- 1 Amount of an article that consumers will buy (6)
- 2 Proprietor or possessor (5)
- 3 Amount paid, especially on an insurance policy or when paying above the market rate (7)
- 5 Large indefinite amount (but neatly kept) (4,3)
- 6 International language first published in 1887 (9)
- 7 Glove with no fingers (6)
- 8 More demand than shares available (13)
- 9 Exhibition of an artist's life's work (13)
- 15 What will happen to an investment in a subsidiary on consolidation (9)
- 17 City buried by Vesuvius in 79AD (7)
- 18 Method of controlling money supply (7)
- 19 Sloping typeface, used for emphasis (6)
- 20 ___ and Hyde, split personality (6)
- 23 If a credit is towards the door, one of these is by the window (5)

Solutions

Across: 1 Droopy; 4 Stream; 10 Manoeuvre; 11 Depot; 12 Nervier; 13 Reserve; 14 Reimbursement; 16 Dispossession; 21 Trimmer; 22 Trundle; 24 Lease; 25 Bover boy; 26 Credit; 27 Rental.

Down: 1 Demand; 2 Owner; 3 Premium; 5 Tidy sum; 6 Esperanto; 7 Mitten; 8 Oversubscribe; 9 Retrospective; 15 Eliminate; 17 Pompeii; 18 Squeeze; 19 Italic; 20 Jekyll; 23 Debit.



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