

The Committee of European  
Securities Regulators (CESR)  
attn. Mr. Fabrice Demarigny  
Secretary General  
11-13 Avenue de Friedland  
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FRANCE

Our ref. : AdK  
Direct dial: Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279  
Date : Amsterdam, 20 November 2003  
Re : Consultation Paper – European Regulation on the Application of IFRS in 2005 –  
Draft Recommendation for Additional Guidance Regarding the Transition to IFRS

Dear Mr. Demarigny,

Herewith we provide you with our comments on the your draft recommendation as mentioned above.

*Question 1: Do you consider it useful that CESR Members provide recommendations to European listed companies on how to disclose financial information to the markets during the phase of transition from local GAAP to IFRS?*

We are in favour of providing supplementary guidance by the CESR in this area. We stress the word “recommendations” because it is the responsibility of the listed companies themselves to follow or not to follow these recommendations.

*Question 2: Do you agree that European listed companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible?*

Yes, we agree.

*Question 3: Do you agree that those companies should also be encouraged to communicate about this transition process? If yes, are the 4 milestones identified by CESR for such communication appropriate?*

Yes, we are in favour of an early communication of the process itself to the market. This communication could contain the planning and the stage of realization.  
We consider the 4 milestones as defined by CESR to be appropriate.

*Question 4: What are your views on an encouragement to listed companies to disclose narrative information about their process of moving to IFRS and about the major identifiable differences in accounting policies this transition will bring about? Do you consider it appropriate to include such information in the 2003 annual report or in the notes to the 2003 financial statements?*

In our view narrative information about the process of moving to IFRS has to be included in the report of the executive directors (Management Discussion and Analysis, MD&A) regarding the planning and realization of the process of implementation of IFRS. See also our answer to question 5.

*Question 5: Do you believe that listed companies should be encouraged not to wait until beginning 2006 for communicating about the impact of the transition to IFRS on the 2004 financial statements if such information is available earlier? Do you agree that quantified information in this regard should be given as soon as possible?*

If this information is not yet complete no quantitative information should be included, because then users will be partially informed, which might affect their decisions in a wrong way. In our opinion quantitative information should only be provided, if:

- the IFRS standards to be applied for the 2005 annual accounts are assessed;
- the endorsement process of these standards by the EC has been finalized;
- the transition process has been completed by the company; and
- the quantitative information will be reliable irrespective of the short time framework.

Because we expect these conditions and circumstances to be fulfilled at a relatively late stage, we are not in favour of giving quantitative information about the IFRS transition in the 2004 financial statements or earlier. We are in favour of providing narrative information. In the 2004 financial statements we recommend that this information includes an overview of the major identifiable differences in accounting policies.

*Question 6: Is it appropriate to refer to the Implementation Guidance published by IASB in connection with the IFRS1 for defining which quantified information should be disclosed as a result of the recommendations in § 11 and § 12? Do you believe other disclosures should be envisaged? Do you agree with inclusion of such information in the annual report or in the notes to the financial statements?*

With reference to our comments on question 5 we think it is not appropriate to include this quantitative information in the 2004 financial statements.

*Question 7: Do you agree with the principle that any interim financial information published as of 2005 by listed companies should be prepared using the accounting standards that are to be used by those companies for the 2005 year end financial reporting, i.e. IFRS, in the way indicated here under?*

Whether or not the interim quarterly financial reporting will be in compliance with IAS 34 the accounting principles used have to be IFRS-compliant and 100% consistent with those IFRS accounting principles that will be used in the 2005 financial statements.

*Question 8: Do you agree that when listed companies do not elect to apply IAS 34 for quarterly information published in 2005, they should be encouraged to prepare and disclose financial data by applying IFRS recognition and measurement principles to be applicable at year end?*

Yes, see our answer to question 7.

*Question 9: Do you agree with the proposed encouragement for European listed companies to either fully apply IAS34 for half yearly reporting as from 2005 or, if this standard is not applied, to prepare the key half-year financial data that are to be published, in conformity with IFRS recognition and measurement principles to be applicable at year end?*

Yes, we refer to our answer to question 7.

*Question 10: CESR considered different possibilities for the presentation of comparative information for the corresponding period(s), but concluded that the above-proposed solution could appropriately serve users of financial information without imposing too burdensome requirements on issuers. Do you concur with the proposed solutions? In particular, do you agree with the proposals that A) comparative figures should be provided and restated using same accounting basis as for the current year; B) previously published information for the previous period may be provided again; C) explanation of restatement of comparative figures should be given; D) in case of presentation of financial statement over 3 successive periods the restatement of the first (earliest) period could not be required; E) indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?*

We agree with:

- providing restated comparative figures for the same period of the previous year (current and year to date);
- providing a reconciliation between the previous published figures and the restated comparative figures;
- providing an explanation of the reconciliation;
- the bridge approach in case of the presentation of 3 successive periods.

*Question 11: Do you agree that, in addition to the presentation of comparative information in conformity with IFRS1 (i.e. prepared on the basis of IFRS provisions), it could be deemed useful to present again the comparatives prepared on the basis of previously applicable accounting standards?*

We prefer not to include financial information under previous GAAP, if the law or regulators do not require this information.

The reconciliation requirements of IFRS1.38-43 will provide users with sufficient information about the impact of the application of the IFRS accounting principles. We refer to the specific requirements of IFRS1.37 of prominently labelling the previous GAAP information and appropriate disclosure of the nature of the main adjustments without quantifying these adjustments.

*Question 12: Do you agree that, when presentation of financial statements over 3 successive periods is required, it would be acceptable not to require the restatement to IFRS of the first (earliest) period? If yes, do you agree with the indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?*

In line with our answer under question 11 we prefer to not present the earliest period on the face of the financial statements at all, if the information of this period is not restated to IFRS and not required. If it is required we agree with the bridge approach.

With kind regards,

Prof. dr. Martin Hoogendoorn  
Chairman Council for Annual Reporting (CAR)