20th November 2003

Mr Fabrice Demarigny
Secretary General
The Committee of European
Securities Regulators
11-13 avenue de Friedland
75008 PARIS

MT.MCP.CB.2003-1245

<u>Re: Consultation paper – European regulation on the application of IFRS in 2005 - Draft recommendation for additional guidance regarding the transition to IFRS</u>

Dear Mr Demarigny,

The CNCC (Compagnie Nationale des Commissaires aux Comptes, French Body of statutory auditors) is pleased to comment on the CESR consultation paper on a draft recommendation for additional guidance regarding the transition to IFRS.

1. First of all the CNCC would like to emphasize that each CESR member should apply the CESR recommendation core principles in order to make sure that the financial information provided by all the European publicly traded companies during the transition phase to IFRS is harmonised and comparable throughout Europe. We strongly believe that a consistent implementation of the best practices promoted by the CESR recommendation will contribute to the production of high quality information during this transition phase.

2. We support the underlying idea of the draft recommendation of encouraging the European publicly traded companies to communicate before the year of transition as we believe that this recommendation will provide relevant information to the markets. In addition, it will stimulate companies to continue their preparation for the transition to IFRS and it will also encourage those companies which have not yet started the process of transition to IFRS.

3. As far as the publication of 2003 financial statements is concerned, we agree that the European publicly traded companies should be encouraged to communicate on their plan for transition to IFRS and their progress in achieving the plan as well as the major differences identified between their present accounting policies and the ones they know with sufficient certainty they will have to apply under IFRS in their 2005 financial statements. We recommend that this communication should be in a narrative form only, with no quantified data at that stage. It should focus on:

   - The transition plan and the degree of achievement as well as the documentation of the preparation (inventory of the situation, analysis of differences…)

- The reliability of accounting and management systems to move towards IFRS.

We also support that the information should be presented outside the notes to the 2003 financial statements.

We recommend that the information to be disclosed with the 2003 financial statements should only be made mandatory for annual financial periods beginning on or after 1rst January 2003 because the CESR recommendation is expected to be issued at the end of 2003 and the companies with a closing date before 31rst December 2003 will not be prepared to disclose such information.

Furthermore, we recommend that the information to be provided should make reference to those standards that have not yet been considered as they are still in a process of finalization or approval by the European Commission and consequently, their potential impact is not yet necessarily analysed.

4. We also agree that all 2005 financial information published including interim 2005 financial information should be prepared in conformity with endorsed IFRS. Otherwise applying two different sets of accounting standards, one for 2005 annual Financial Statements and another for 2005 interim Financial Statements would be confusing and misleading to the capital markets and the public. We agree that 2005 interim Financial Information should be based at least on IFRS measurement and recognition principles.

5. As far as the publication of 2004 interim and/or annual financial statements is concerned, we suggest that the CESR recommendation should clarify the paragraph 12 which says "as soon as a company is ready to communicate on it in a sufficiently reliable manner, it should be encouraged to disclose the necessary quantified information on the impact of the change to IAS/IFRS in its 2004 financial statements" in order to make it clear that the quantified information to be disclosed with the 2004 interim and/or annual financial statements should be reliable and comprehensive. We suggest that the recommendation provides some criteria to assess the reliability of the information such as for example:

   - All the significant impacts of the change to IAS/IFRS and differences in accounting policies have been identified and quantified ;
   - They represent a significant part of the impact of the change to IAS/IFRS on the shareholders' equity ;
   - The company knows with sufficient certainty which accounting standards it will have to apply under IFRS in its 2005 financial statements and the different proposed options have been definitely chosen by the company ;
   - The information provided has been duly reviewed and agreed by the management.

   Where one or more of these criteria are not met, we believe that the company should continue the disclosure under the narrative format as presented in the 2003 financial statements by improving the information disclosed. If a company would be in a position to disclose a quantified information for a portion only of the effect of the transition process (for example, for some standards), a warning should be made to state this situation. Furthermore, we believe that the information partly disclosed should be outside the notes to the 2004 financial statements.

6. For any publication made with the 2004 interim and/or annual financial statements and with the 2005 interim financial statements, we suggest to introduce a foreword in the published financial statements advising the users that the information provided in relation with the transition to IFRS might change until the 2005 annual financial statements are published because some international accounting standards are not yet all issued or endorsed by the European Commission or might be amended, as for example IAS 39. This foreword should explain the reasons of possible changes. It might describe for example :

   - The impact of the application of the international accounting standard (specify which standards) ………has not yet been identified ;
   - The management has not yet made clear decisions on the strategy of application of IAS/IFRS nor chosen the options to apply.

7. As regards to the comparative information, we believe that the general principle of IFRS 1 requiring one year comparative information should prevail over the comparatives requirement as specified in the prospectus directive.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

Michel Tudel
President