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Press Release

Preparing for the implementation of International Financial Reporting Standards (IFRS)

The transition to international accounting standards in 2005 poses a significant challenge for approximately 7000 EU listed companies and will significantly change the presentation of their financial position. This transition must be carefully monitored to ensure that every company will continue to meet its reporting requirements. Equally, investors must be enabled to understand the effect of the new reporting standards and to assess the financial position of listed companies reporting on this new basis. Anticipating this unique challenge and to provide solutions that will help to understand this transition, CESR puts forward today proposals for consultation which set out how companies can effectively manage the communication of the impact of these changes.

The European Commission established in its Regulation n°1606/2002 of July 2002 that European companies whose securities are traded on a regulated market will have to use International Financial Reporting Standards (IAS/IFRS) to prepare their 2005 consolidated financial statements. In anticipation of this event, CESR proposals converge the needs of listed companies and investors. Listed companies will need to implement a phased transition process in order for the company itself to assess the financial consequences and plan appropriately for the application of the international accounting standards. Equally, investors will need to be provided with financial information which is easy to interpret. This information will be easier for listed companies to provide, if as suggested by CESR, a phased communication plan with key reporting milestones is implemented.

Issuing its draft recommendations (CESR Ref: CESR/03-323b) today, CESR stresses the need for listed companies to consider:

- ***What type of information companies can publish before 1st January 2005, the most common effective date of transition to IFRS, in order to explain to investors the potential impact of the new IFRS standards.***

CESR proposes that:

- issuers communicate with their financial statements for the year 2003, how they intend to carry out the transition to IFRS and explain in a narrative form the key differences in accounting methods that have been identified;
 - at 2004 year end, issuers be encouraged to give quantified information on the impact of these new standards on their 2004 financial statements.
- ***Which accounting rules should be adopted by issuers for the preparation of quarterly (where applicable) and half year interim financial data that will be released in 2005.***

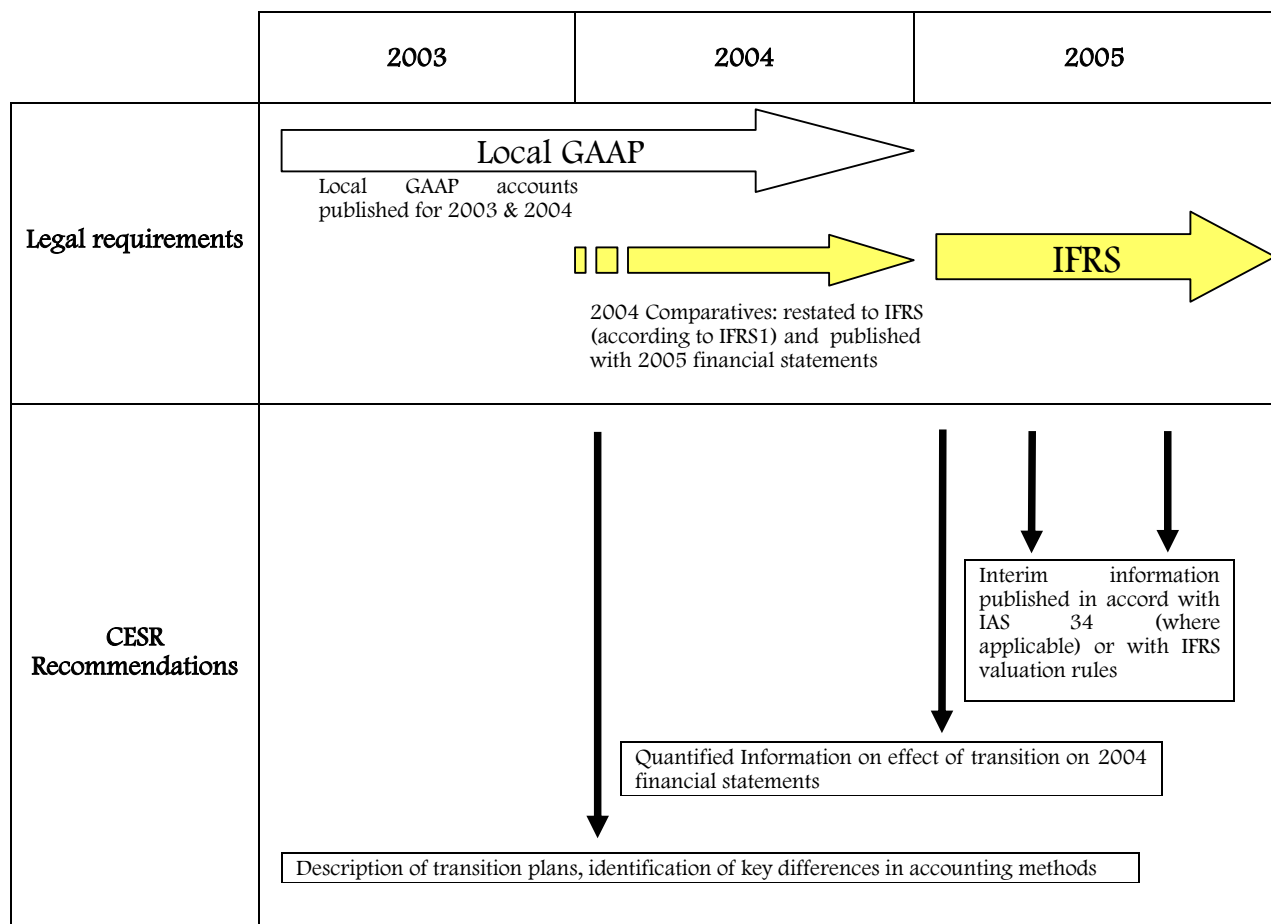
In this regard, where interim financial statements are published in compliance with Member state requirements or on a voluntary basis, CESR proposes that issuers start applying as from 1st January 2005 IAS 34 “Interim Financial Reporting” which contains a high level of disclosure requirements. Where this is not possible, as a minimum, issuers should be encouraged to use IFRS recognition and measurement principles for the preparation of



quarterly and half yearly reports to be published in 2005, consistent with the accounting methods that are to be applied in preparing the consolidated financial statements for the year 2005.

- *How to achieve comparability between interim or annual financial information for 2005 and earlier equivalent periods, to ensure investors can effectively interpret the development of the companies financial position.*
 - CESR proposes that comparative information for previous interim reporting periods be provided and restated according to IFRS, using the same accounting rules as those used for the current similar period in 2005.
 - Additionally, CESR proposes a format that facilitates the understanding of the differences between accounts drawn up according to previous accounting standards and accounts prepared under IFRS.

The various proposals described can be illustrated as follows:



CESR welcomes comments and contributions from all interested parties on this Draft Recommendation. The deadline for submitting **responses** to the consultation paper is **20 November 2003**. Responses should be addressed to Mr Fabrice Demarigny, Secretary General, CESR, by email at secretariat@europefesco.org. CESR will hold an **open hearing** on **12 November 2003** at the CESR premises in Paris. Please use this email address to register for the hearing.



Notes for Editors:

1. This draft recommendation has been prepared by CESR's standing committee CESR-Fin, chaired by M. Henrik Bjerre-Nielsen, Director General of the Danish Financial Supervisory Authority, and more specifically by its Sub-Committee on International Standards Endorsement (SISE) chaired by Philippe Danjou, Chief Accountant at the French Commission des Operations de Bourse (COB).

CESR-Fin is a permanent working group of CESR members active in the area of financial reporting. CESR-Fin plays a key role in the endorsement and enforcement of IFRS standards in Europe. CESR-Fin has established two permanent sub-committees, one dealing with issues related to endorsement and implementation of IFRS (SISE) and the other (the Sub-Committee on Enforcement, SCE) dealing with issues related to the enforcement of financial reporting under IFRS. The SCE is chaired by Angelo Apponi, Chief Accountant at the Italian Commissione Nazionale per le Società e la Borsa (CONSOB).

2. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
 - Improve co-ordination among securities regulators;
 - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
 - Work to ensure more consistent and timely day to day implementation of community legislation in the member states.
 - The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
3. Each Member State of the European Union has one member on the Committee. The members are nominated by the Members States, and are the Heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented. The following eight Authorities of the Candidate Countries joined CESR in 2003 with observer status: the Cyprus Securities and Exchange Commission, the Czech Securities Commission, the Estonian Financial Supervision Authority, the Hungarian Financial Supervisory Authority, the Lithuanian Securities Commission, the Malta Financial Services Authority, the Slovakian Financial Market Authority and the Slovenian Securities Market Agency.

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