

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

Paris, 20 November 2003

Dear Sir,

The French Society of Financial Analysts, SFAF, (Société Française des Analystes Financiers) is pleased to submit its contribution as part of the consultation undertaken by the Committee of European Securities Regulators on its proposed draft recommendation for additional guidance regarding the transition to IFRS.

SFAF represents 1,700 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS), which brings together the main European financial analysts societies. Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of the new international standards.

For this reason, our association, through its Accounting and Financial Analysis Commission, was keen to respond to your consultation on this additional guidance regarding the transition to IFRS, and would like to thank you for the opportunity to make its position known.

Introduction

Like CESR, financial analysts are aware of the unusual importance of the accounting revolution that will take place in 2005 and of its potential impacts on financial markets. Thus, SFAF supports the proposed recommendation which will prepare investors to this transition with comparable information and considers useful that CESR Members provide recommendations to European listed companies on how to disclose financial information to the markets during this phase of transition from local GAAP to IFRS.

Besides, SFAF believes that in order to maintain the quality of the financial communication of the European listed companies during this period, these companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible and also to communicate about this transition process. SFAF considers that the four milestones identified by CESR for such communication are appropriate and will provide investors with useful, information regarding their degree of achievement in their move towards IFRS.

Publication of 2003 financial statements

In this respect, the recommendation regarding the disclosure of narrative information in the 2003 financial statements about their process of moving to IFRS and about the major identifiable differences in accounting policies will be certainly very useful to help financial analysts to prepare their own move towards IFRS. Thus, SFAF considers appropriate to include such information in the 2003 annual report.

In addition, in order to help investors to understand this accounting transition, SFAF suggests that when quantified differences in accounting policies are known with a reasonable certainty, they should be disclosed. For instance, quantified information may be available for some IFRS, as a consequence of US GAAP restatements. SFAF considers that this first step is essential for the implementation of this transition.

As the standards that will have to be applied in the 2005 financial statements are likely to evolve in the near future, SFAF also considers that the narrative information should disclose the list of standards that the companies believe they will apply with sufficient certainty in 2005.

Publication of 2004 financial statements

Regarding question 6, SFAF considers 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 CESR recommendation in § 11 and § 12. SFAF also agrees with inclusion of such information in the annual report.

For the publication of the impact of the transition to IFRS on the 2004 financial statements, in order to reduce the risk that investors be misled by financial information in 2006, SFAF wishes that the main impacts on the principal lines of the balance sheet, the income and the cash flow statements were quantified and disclosed in the 2004 annual report. Moreover, SFAF expects the pro forma financial statements to be made public as soon as possible without awaiting the 2005 year end financial communication.

In addition to these main impacts, SFAF considers useful for a better understanding of investors that the listed companies provide the key industry operational aggregates or ratios usually presented in their annual report or in their financial communication not only using the previous GAAP but also the IFRS. This information should be also presented in 2005 annual report.

2005 Interim Information

SFAF supports CESR recommendations regarding the principles 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.

- ◆ 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.
- ◆ European listed companies should be encouraged to either fully apply IAS 34 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.

As users of financial information, financial analysts agree with CESR different proposals regarding the presentation of comparative information, i.e. :

- ◆ comparative figures should be provided and restated using same accounting basis as for the current year;
- ◆ previously published information for the previous period may be provided again;
- ◆ explanation of restatement of comparative figures should be given;
- ◆ in case of presentation of financial statement over 3 successive periods the restatement of the first (earliest) period could not be required;
- ◆ indicative format (“bridge approach”) for the presentation of comparative information on the face of the financial statements when the first presented is not restated.

2005 Annual Financial Statements

Financial analysts consider useful to present again the comparatives prepared on the basis of previously applicable accounting standards, in addition to the presentation of comparative information in conformity with IFRS1. This information should be displayed on the face of the financial statements.

SFAF supports also CESR recommendation not to require the restatement to IFRS of the first (earliest) period, when presentation of financial statements over 3 successive periods is required and agrees with the indicative format for the presentation of comparative information on the face of the financial statements when the first period is not restated.

We thank you for this recommendation that will, according to financial analysts, help investors to understand step by step the expected changes in financial information during this transition period, and trust that the observations and proposals made by SFAF will meet with your attention and remain,

Yours faithfully,

Franck CEDDAHA
Chairman of the Accounting and Financial Analysis Commission

Bernard COUPEZ
Chairman