



Fédération des Experts
Comptables Européens

Press Release

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FEE Calls upon European Commission to Update its Guidance on the Reference to 'Endorsed IFRSs'

FEE outlines steps to ensure users of accounts are clear as to the financial reporting framework being used

Brussels, 11 October 2005: "Unless properly explained, differences between IFRSs as adopted for use in the EU and IFRSs as adopted by the IASB, risk causing uncertainty in the market and could potentially undermine investor confidence in financial reporting," warned David Devlin, President of FEE, the European Federation of Accountants, speaking at the launch of a new FEE paper, today.

International Financial Reporting Standards (IFRS) as adopted by the international standard setter, IASB, will not always be identical to those recognised under European law. This is primarily because each standard, once finalised by the IASB, then has to be endorsed by the European Commission. The endorsement process can take some time. In addition, as the recent experience with IAS 39 shows, the European Commission may decide to carve out certain parts of a standard while endorsing the rest. Hence, companies and their auditors will have to deal with a situation whereby IFRSs as adopted for use in the EU may deviate from 'full IFRS' (i.e. those approved by the IASB).

"Both in companies' description of accounting policies and in the audit report, reference needs to be made to the applicable financial reporting framework. I encourage the European Commission to consider issuing authoritative guidance for this reference and encourage companies to provide an explanation in the notes to their accounts as to how their accounting policies, while complying with IFRSs as endorsed for use in Europe, depart from full IFRS," emphasised Hans Van Damme, FEE Vice President.

The European accountancy profession's representative organisation, FEE, has today published an analysis of responses to its April 2005 discussion paper on the reporting issues and implications for the audit report of endorsed IFRS. Amongst those responding to the FEE paper are CESR, EFRAG, UNICE and auditors.

FEE makes the following recommendations:

- The European Commission is called upon to issue authoritative guidance for referring to the financial reporting framework. There is a clear need for a standard wording.
- FEE recommends a slight alteration to the European Commission's previously suggested reference to the financial reporting framework – precision would be improved if it were amended to: "in accordance with IFRSs as adopted for use in the EU". Specifically the reference to the plural of IFRSs is considered significant to highlight that standards are endorsed one by one.

- Companies are strongly encouraged to provide an explanation in the notes to the accounts as to how their accounting policies, applying IFRSs as endorsed for use in the EU, depart from full IFRS. This will enable investors to understand the impact and to compare the results of companies within and outside the EU.
- There should be a standard reference to the financial reporting framework in the audit report which should be the same as in the accounting policies.
- Where companies are in compliance with full IFRS, they should be encouraged to say so in their accounting policies. However, the legal financial reporting framework in the EU should be referred to in all cases.

-ENDS-

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Notes for Editors:

1. The publication **Analysis of Responses to FEE Discussion Paper on Reporting Issues in relation to Endorsed IFRS and Possible Implications for the Audit Report** can be downloaded free-of-charge from the FEE website (<http://www.fee.be>) or copies may be ordered from Sylvie Romancide (Fax: + 32 2 231 11 12, Email: Sylvie_Romancide@fee.be).
2. The IAS Regulation (EC No. 1606/2002) requires European listed companies to prepare consolidated financial statements from 2005 (or 2007 in some situations) on the basis of international accounting standards, defined as those IFRSs that have been endorsed by the European Commission. Both in the accounting policies and in the audit report, reference needs to be made to the applicable financial reporting framework. Europe has moved to global standards and this should be reflected in descriptions of the EU financial reporting framework. The potential delay between the effective date of an IFRS or IFRIC interpretation and its endorsement in Europe means that "endorsed IFRSs" may deviate from "IFRSs". Moreover, the endorsement of IAS 39 in November 2004 with carve outs creates a situation where "endorsed IFRSs" are different from "IFRS" to the extent the carve outs are applied by a particular company.
3. The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.