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**PRESS STATEMENT**

**As EU listed groups prepare to publish their second set of IFRS financial statements, CESR stresses that its members remain watchful and note the continued need for companies to deliver, as true, fair and complete information as possible, for investors, under IFRS**

Since January 2005, approximately 8,000 listed companies in the EU have implemented IFRS for their consolidated financial statements. The implementation of IFRS has been a significant change which, according to the early studies, has taken place without any major difficulties. And most importantly, there has been no evidence of a loss in market confidence during this transition. CESR's statement issued today is addressed to European companies having their securities admitted to trading on a regulated market and preparing consolidated financial statements under IFRS as adopted by the EU and more specifically to the users of the information published by these companies.

IFRS principles-based standards rely on the experience and judgement of those preparing them, including auditors and users alike, applying them to the particular circumstances. Stakeholders must be aware that this is a new body of accounting standards for many preparers. Applying IFRS to particular circumstances must be a smooth learning curve.

Many listed companies are now publishing their second set of IFRS financial statements. CESR would like to take this opportunity to draw to the attention of market participants that as 2006 is still a transitional period with practical experience in applying IFRS growing, retrospective adjustments to financial information already presented and covering 2004 and 2005 financial years could appear in these 2006 consolidated financial statements.

These retrospective adjustments may arise following different circumstances, namely:

- A change in accounting policy made on a voluntary basis in order to align the policy used by the issuer to the one selected by a majority of its competitors so that comparability is achieved;
- A retrospective adjustment following the publication of an IFRIC rejection (please, see the position prepared by CESR, Business Europe and FEE in part I of the document annexed to this statement);
- A correction of an error following an oversight by the issuer, though the selection of previously applied accounting policies had been made in good faith.

The aforementioned adjustments are not abnormal and should not undermine the market's confidence in the overall quality of the European companies' financial statements. Indeed, if done seriously and with proper explanation, it could reflect the fact that companies are willing to improve the quality of their financial statements towards greater comparability and consistency in the application of IFRS.

The role of EU National Enforcers, whether CESR Members or not, is to examine that the financial information delivered to investors is drawn up in accordance with the relevant reporting framework and to take appropriate measures where infringements are discovered. EU National Enforcers have identified areas in the 2005 financial statements where the level of disclosure could be improved.<sup>1</sup> Therefore, when reviewing 2006 financial statements, EU National Enforcers will remain particularly watchful that all the information that enables investors to have a clear and complete picture on these adjustments, is disclosed in the financial statements.

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<sup>1</sup> Several European enforcers (the French AMF, the UK FRRP and the Finnish Rahoitustarkastus) have published reports on the use of IFRS in the 2005 financial statements.



Finally, it should be noted that this CESR Statement does not modify the recommendation published by CESR in January 2006 (ref CESR/05-758) on the importance of clear and transparent disclosure on the use of any options made available by applicable financial reporting standards.

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