



The Hundred Group
of Finance Directors

Financial Reporting Committee

Ms Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549 -1090
USA

21 September 2007

Dear Ms Morris

Ref: File Number S7-13-07

**ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS WITHOUT RECONCILIATION TO US GAAP**

Who we are

The Hundred Group of Finance Directors represents the views of the finance directors of the UK's largest companies drawn largely, but not entirely, from the constituents of the FTSE100 Index. Our members are the finance directors of companies whose market capitalisation collectively represents over 80% of companies listed on the London Stock Exchange. Many of our members are also listed in the United States. Views expressed in this letter are those of The Hundred Group of Finance Directors but are not necessarily those of our individual members or their respective employers.

We welcome the SEC's proposals

We welcome the SEC's proposals for the elimination of the requirement for foreign private issuers to reconcile their financial statements prepared in accordance with IFRS as published by the IASB to US GAAP.

We equally applaud the SEC's recently issued Concept Release that may lead to proposals that would permit US registrants to file financial statements prepared in accordance with IFRS as published by the IASB rather than US GAAP. We believe that this move will do much to encourage the acceptance of IFRS in the United States and is therefore important for the convergence of global accounting standards.

Structure of our response

We appreciate the opportunity to comment on the proposals.

We set out below our comments in two sections. Firstly, we provide responses to those of the SEC's questions that we believe are most relevant to us. Secondly, we highlight certain practical issues faced by foreign registrants that we request the SEC considers in finalising the rule changes.

Responses to the SEC's questions

Convergence as a condition for removing the reconciliation (Question 2)

We believe that convergence between US GAAP and IFRS as published by the IASB should be a consideration in deciding to accept the financial statements of foreign private issuers prepared in accordance with IFRS without reconciliation to US GAAP. We would emphasise, however, that we believe that convergence in this context means convergence to a common set of accounting principles rather than convergence to a single set of accounting standards. We expect that differences will remain between the detailed accounting rules and disclosure requirements prescribed by US GAAP and those prescribed by IFRS.

We consider that the FASB and the IASB are likely to have made enough progress along their "roadmap" for convergence by the end of 2008 to eliminate the significant differences between US GAAP and IFRS to enable the reconciliation requirement to be removed for annual reports filed in 2009.

Comparability among companies using IFRS (Question 3)

Over recent years, the IASB has made a considerable effort to reduce the accounting choices that are available under its accounting standards. Accordingly, while the presentation of information under IFRS may differ between companies, we believe that there is sufficient comparability of the accounting principles applied within financial statements prepared in accordance with IFRS to warrant removal of the US GAAP reconciliation.

We acknowledge that the presentation of information on the face of financial statements is subject to less prescriptive rules under IFRS than under US GAAP (in particular, companies are permitted to use a number of different formats for the presentation of the income statement). We recognise that this may cause the SEC some concern for two reasons: a) it results in a perceived lack of comparability between companies; and b) it permits the presentation of non-GAAP measures that would not be permitted under US GAAP.

We believe that financial reporting is an exercise in communication. Companies reporting under IFRS must provide the measures prescribed by IAS1 "Presentation of Financial Statements" but within that framework they are permitted to adopt forms of presentation and additional measures in order to highlight their key performance measures to users of their financial statements. We support the principle that certain measures should be prescribed by accounting standards to be presented on the face of the financial statements but we do not believe that one rigid format can meet the needs of users in every industry, i.e. "one size does not fit all". We therefore support the use of forms of presentation and additional measures that improve transparency and assist users in assessing the performance of the business.

Whatever non-GAAP measures are used by individual companies, there will continue to be comparability both within and between industries of the measures that are prescribed by accounting standards.

We would remind the SEC that in the medium term the joint FASB/IASB project on financial statement presentation is expected to result in the alignment of the presentational requirements of US GAAP and IFRS.

Experience and extent of use of IFRS (Questions 6 & 7)

We recognise that the SEC is concerned about the knowledge and experience of foreign private issuers, audit firms and other constituencies in the preparation of financial statements in accordance with IFRS. However, the experience of the transition to IFRS by listed companies in the EU demonstrates that knowledge of IFRS can be developed relatively quickly provided there is a concerted effort by all parties involved in the process.

Naturally, it takes time to build up experience of using IFRS but we suggest that it would be difficult for the SEC to set a time period after which issuers, audit firms and other constituencies would be considered to have sufficient experience in IFRS to warrant removal of the US GAAP reconciliation.

Since 2005, the IASB has provided a “stable platform” with no significant changes to accounting standards becoming effective before 2009. Consequently, constituents will have had four or more years of IFRS experience before the proposed rule changes take effect and there is now a unique opportunity to remove the US GAAP reconciliation before significant changes in both IFRS and US GAAP come into effect from 2009 onwards.

We do not consider it relevant how many issuers currently prepare their financial statements using IFRS published by the IASB.

Limitations on eligibility to file without a US GAAP reconciliation (Questions 13 & 17)

We believe that once the SEC has reached the view that the US GAAP reconciliation should be removed the relief should be available to all foreign private issuers who prepare their financial statements in accordance with IFRS published by the IASB regardless of their size or other considerations.

Filing deadline for Form 20-F (Question 14)

While we expect that the time necessary to prepare Form 20-F would be reduced by the removal of the US GAAP reconciliation, it should be appreciated that much of the time needed to prepare Form 20-F is spent on the narrative sections which typically differ in form and content from the annual reports that foreign registrants are required to file in their home countries. We expect that over time the removal of the US GAAP reconciliation would encourage more foreign registrants to prepare a single annual report that meets both the narrative requirements for filings in their home countries and the requirements of Form 20-F.

We recommend that the SEC adopts a wait and see approach and defers any move to tighten the filing deadline for Form 20-F until after the removal of the US GAAP reconciliation.

Interim financial information (Questions 15 & 21-23)

We support the removal of the US GAAP reconciliation for annual financial statements, but if the SEC decided that it could not make this change at present we would welcome the removal of the US GAAP reconciliation in interim financial statements filed for the purpose of conducting continuous offerings.

With effect from 2008, companies listed within the EU will be required to publish interim financial statements prepared in accordance with IAS34 "Interim Financial Statements". However, the requirements for interim financial statements differ in other jurisdictions. We suggest that the SEC requires registrants that file annual financial statements prepared in accordance with IFRS to prepare their interim financial statements filed for the purpose of conducting continuous offerings in accordance with IAS34.

We discuss additional considerations relating to interim financial information filed in respect of fiscal 2008 under the heading "Practical issues for foreign registrants".

Compliance with IFRS published by the IASB (Question 16)

Foreign registrants whose primary listing is on a regulated market within the EU are required under EU law to prepare their financial statements in accordance with IFRS endorsed by the European Commission for use within the EU. Since EU endorsed IFRS may differ from IFRS as published by the IASB, foreign registrants listed within the EU have not been able to state unreservedly their compliance with IFRS as published by the IASB and their auditors have not been able to opine that the financial statements comply with IFRS as published by the IASB.

We recognise that there may be differences between IFRS endorsed for use within the EU and IFRS as published by the IASB. We discuss the implications of such differences under the heading "Practical issues for foreign registrants".

Perceived lack of guidance under IFRS as published by the IASB (Questions 24 & 25)

We acknowledge that IFRS as published by the IASB lacks comprehensive accounting standards in relation to accounting in the insurance and extractive industries and for certain corporate transactions. However, the IASB continues to make progress in reviewing and revising its standards in these areas. We believe that the imminent revisions to IFRS3 "Business Combinations" will remove most of the potential inconsistencies in accounting for corporate transactions. While it may be some time before the IASB completes its projects on the insurance and extractive industries, the information presented under the existing standards is widely accepted and is being used by investors in many of the world's major capital markets.

We therefore support the SEC's view that these considerations should not act as a barrier to the removal of the US GAAP reconciliation.

Forward looking information (Question 29)

A safe harbour is currently available under US federal law for forward looking information provided outside the financial statements. Under IFRS, in particular following the adoption of IFRS7 "Financial Instruments: Disclosures", forward looking information is provided within the financial statements. We request that the SEC extends the safe harbour provisions to cover forward looking information contained within the financial statements.

Changes to other rules or forms under the Securities Act (Question 40)

We welcome the proposal that financial statements prepared in accordance with IFRS published by the IASB may be filed under either Item 17 or Item 18 of Form 20-F, i.e. that no disclosures additional to those prescribed by IFRS as published by the IASB will be required in a filing under either Item 17 or Item 18.

What happens if progress towards convergence stalls? (Questions 44-46)

We recognise that there can be no guarantee that the FASB and the IASB will not in the future publish substantially different accounting standards. We believe that this is unlikely in current circumstances, but if it does prove to be the case, the SEC, as regulator of the US markets, will, of course, retain the right to re-impose the requirement to provide a reconciliation to US GAAP on foreign private issuers who prepare their financial statements in accordance with IFRS as published by the IASB.

Clearly, it will be in our interests to encourage FASB and the IASB to proceed with their convergence activities and to lobby them if it appears that they reach a stage where they are developing accounting standards independently that will create significant new accounting differences.

Practical issues for foreign registrants

We request that in finalising the rule changes the SEC gives consideration to the following significant practical issues faced by foreign registrants:

- a) the implications for foreign registrants who are required under EU law to prepare their financial statements in accordance with IFRS endorsed by the European Commission for use in the EU;
- b) the possibility of removing the reconciliation requirement for interim results filed during fiscal 2008*; and
- c) if such relief is not considered appropriate, the possibility of exempting those foreign registrants that will not be required to prepare US GAAP reconciliations for fiscal 2008 from applying any standards that become effective during fiscal 2008, such as SFAS157 "Fair Value Measurements", in their interim financial statements for fiscal 2008.

* "Fiscal 2008" represents the fiscal year for which an annual report will be filed in 2009.

IFRS adopted for use in the EU

Foreign registrants whose primary listing is on a regulated market within the EU are required under EU law to prepare their financial statements in accordance with IFRS endorsed by the European Commission for use within the EU. EU endorsed IFRS may differ from IFRS as published by the IASB.

We recognise that the SEC has made it very clear that IFRS that has been subject to "carve-out" or amendment will not be acceptable for filing purposes. We understand the reasons for this but are concerned that the interaction of the SEC's requirements and those of EU law could result in foreign registrants listed in the EU having to prepare two sets of financial statements: one prepared in accordance with IFRS endorsed for use in the EU to satisfy EU law and one prepared in accordance with IFRS as published by the IASB to satisfy the SEC's requirements.

We would add that the process for endorsing IFRS for use within the EU is lengthy and it is possible that even a standard whose endorsement is not contested may not be endorsed before it becomes effective under IFRS. Problems in this regard may be encountered particularly by registrants that file interim financial statements.

We therefore request that the SEC gives consideration to how it might accommodate EU registrants that may experience such difficulties.

We suggest that foreign registrants might be permitted to file financial statements prepared in accordance with IFRS endorsed for use in the EU that include qualitative disclosures explaining any relevant differences between IFRS endorsed for use in the EU and IFRS as published by the IASB. If this were not acceptable to the SEC, we suggest that foreign registrants might be permitted to file financial statements prepared in accordance with IFRS endorsed for use in the EU that include reconciliations that identify the effect of any relevant differences between IFRS endorsed for use in the EU and IFRS as published by the IASB. While the latter would not be ideal, it would ensure that investors are always provided with financial information that has been prepared in accordance with IFRS as published by the IASB.

Where a standard or interpretation published by the IASB has become effective under IFRS but has not yet reached the end of the EU endorsement process, we suggest that the SEC permits registrants to continue to apply the disclosures concerning accounting standards issued but not yet adopted required by SEC Staff Accounting Bulletin No. 74.

Interim financial statements in fiscal 2008

Certain foreign registrants file interim financial information with the SEC in order to have continuous access to the US capital markets. Such filings are currently required to include a reconciliation of home country GAAP to US GAAP and other relevant disclosures.

When a new accounting standard or other change of accounting policy is adopted it is usually necessary to apply it from the beginning of the fiscal year of adoption. Consistent with this established approach, we suggest that, if the SEC decides to remove the reconciliation requirement for financial statements for fiscal 2008, the removal should also apply to interim financial statements filed in respect of fiscal 2008.

Standards that become effective in fiscal 2008

If the SEC does not consider it appropriate to relieve foreign registrants from filing interim reconciliations in fiscal 2008, we request that at least they be given relief from adopting US accounting standards that become effective in fiscal 2008. In particular, SFAS157 "Fair Value Measurement" that will be adopted by most registrants in fiscal 2008 has extensive measurement and disclosure requirements that could create new reconciling items. It would seem inappropriate to require registrants to incur the expense of preparing for new standards that would be applied only in the interim financial statements for fiscal 2008.

We thank you again for the opportunity to participate in the comment process. Please feel free to contact me if you wish to discuss our comments.

Yours sincerely



Ken Lever
Chairman
The Hundred Group - Financial Reporting Committee

T: +44 (0)20 8877 5140
E: klever@tomkins.co.uk