

19 April 2004

Jonathan G Katz  
Secretary  
U.S Securities and Exchange Commission  
450 Fifth Street, NW  
Washington DC 20549-0609  
United States of America

Dear Mr Katz

**PROPOSED RULE: FIRST-TIME APPLICATION OF INTERNATIONAL  
FINANCIAL REPORTING STANDARDS  
Reference RIN 3235-AI92**

The 100 Group is a grouping representing the finance directors of leading companies listed in the United Kingdom. Amongst its activities, there is a group which focuses on financial reporting matters and that group has a sub-committee which concentrates on US reporting issues, particularly as they affect UK companies. With that latter remit in mind, we are writing to comment on the temporary concessions and associated requirements set out in the above proposed rule. We support the proposed decision of the SEC to allow issuers to file two rather than three years of financial information - we believe this is an important concession at a time when the transition to International Financial Reporting Standards (“IFRS”) is already placing considerable pressures on companies’ resources. Indeed, we would note that not all of the IFRSs applicable in 2005 are available in their final form as yet.

We have not commented on the individual questions raised in the proposed rule. However, we have a number of concerns on certain which we would like to draw your attention to.

*Endorsement of IFRS by the EU*

The concessions apply to companies that adopt the complete set of International Accounting Standards and International Financial Reporting Standards. However, companies in Europe are required to adopt only those standards endorsed by the European Union (EU). Whilst this may not be an issue where an unendorsed standard addresses an area of GAAP hitherto not dealt with – since a European company will be able to adopt the standard voluntarily – in cases where the unendorsed standard replaces existing endorsed guidance, the company will not be able to comply. We would request that this eligibility requirement is reconsidered to ensure companies are not disadvantaged through delays in EU endorsement but that any amendment does not restrict voluntary adoption of unendorsed standards.

*Condensed US GAAP financial information*

Section II.B.1 proposes that three years of condensed US GAAP financial information be presented in circumstances where an entity has taken the concession to present

only two years of financial information. This goes beyond the current requirements of Items 17 and 18 of Form 20-F and we believe this impose costs and difficulties on companies that are not justified by any perceived benefits to users of the financial statements.

*Operating and Financial Review and Prospects*

In discussing the financial condition of the entity under the requirements of Item 5 of the 20-F, companies will compare the latest year with the previous, and then compare that previous year to the one preceding it. Our understanding of the proposed rule 3(b) in the general instructions is that the latest year to previous year comparison will be on the basis of IFRS whilst the previous year to preceding would be based on previous GAAP. However, this is not fully clear from the proposed rule and we are concerned as to the practicality for preparers and value for users of this approach.

*Financial Statements and Information for Interim Periods for the Transition Year*

Whilst we note that the SEC understands that maintaining UK GAAP for 2005 may be so burdensome as to lead companies into choosing to avoid registering securities between late 2005 and early 2006, we believe that allowing this approach would result in confusing filings from those companies that may be able to meet the requirements. We therefore prefer the approach of requiring a filing of one year's audited IFRS financial statements and two years unaudited.

*Disclosure about Exceptions to IFRS*

We do not believe that it will be practical for companies to provide meaningful disclosures in respect of the elective exemptions applied under IFRS1. Such disclosures on the financial condition would be, necessarily, quantitative to a significant degree and this is anomalous given the fact that certain exemptions are designed to meet circumstances where such information cannot be obtained. Once again, we believe there is a risk of confusing users of financial statements by including potentially extensive discussions on alternative accounting that has not been applied and we are unable to recollect a similar requirement.

We trust you find these comments helpful. Should you wish to discuss them further, please do not hesitate to contact us.

Yours sincerely

Bill Hicks  
100 Group Technical Committee – US GAAP sub-committee