



9 January 2006

ICAEW REP 01/06

Dr Alexander Schaub
Director General
DG Internal Market
European Commission
Rue de la Loi 200
B-1049 Brussels

Dear Dr Schaub

EC WORKING DOCUMENT ESC/34/2005 REV.2

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to submit comments on the DG Internal Market Services Commission Working Document on procedural arrangements under the Transparency Directive (2004/109/EC). The Institute is the largest accountancy body in Europe, with more than 126,000 members operating in all sizes of business, public practice and within the investor community. The Institute operates under a Royal Charter, working in the public interest.

We have reviewed the Working Document, paying particular attention to the financial reporting elements, and have set out below a number of comments and observations for your attention.

We have no major concerns regarding the provisions in Chapter III regarding the minimum content of half-yearly reports, the nature of the auditor's review on the half-yearly reports, and the disclosure in interim management reports of major related parties' transactions. We welcome the close adherence to the requirements of international standards of accounting and auditing, which should enhance comparability between reports and reduce any uncertainty over the implementation of the Directive.

In connection with footnote 6 to Section 1 of Chapter III, referring to a possible Recital on the auditor's review of the half-yearly report, we would reiterate our view that the involvement of auditors significantly enhances investor confidence in the reported figures. We would support the introduction of a mandatory review for listed companies that do not choose to have their half-yearly reports audited.

We have two concerns regarding Chapter V on equivalence as regards third country issuers, as follows:

- Article 14.1(a) requires such issuers to disclose certain information in the management report, including 'non-financial key performance indicators relevant to the particular business'. This is a new and untested requirement for EU companies, imposed by the Modernisation Directive. We question whether at this stage such information should also be required from third country companies.
- We are not convinced that issuers based in jurisdictions that do not require consolidated financial statements should be similarly exempt in the EU, as appears to be suggested by Article 14.6. The presentation of appropriate consolidated financial information is of crucial importance to investors. We would welcome clarification of the Commission's intentions and rationale in this regard.

Please do not hesitate to contact me if you require any further information.

Yours sincerely



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