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**Adoption of IFRS 7 *Financial Instruments: Disclosures*
and
Adoption of the Amendment to IAS 1 *Presentation of Financial Statements –
Capital Disclosures***

Dear Stig,

We agree with your positive endorsement advice to the European Commission regarding the adoption of IFRS 7 *Financial Instruments: Disclosures* and the Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures*. We further agree that IFRS 7 and the Amendment of IAS 1 should be endorsed in time to be available for optional use in 2005 financial statements.

Additionally, we recommend clarifying the following issue in the endorsement advice of IFRS 7 or in the cover letter to the EU Commission:

Due to the Fair Value Accounting Directive the Article 46 par. 2 of the Fourth and Article 36 par. 2 of the Seventh Accounting Directive (Content of the annual report) require

“in relation to the company's use of financial instruments and where material for the assessment of its assets, liabilities, financial position and profit or loss,
— the company's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used, and
— the company's exposure to price risk, credit risk, liquidity risk

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and cash flow risk.”

This content of the annual report is almost identical with the requirements of IFRS 7 (and the former requirements of IAS 32). Thus, European entities which choose to place the risk reporting information outside the financial statements by cross-reference (according to IFRS 7.B6) still have to present this information in the (consolidated) annual report only. This clarification might also have further implications because due to the EU-Transparency Directive the management/annual report will become a part of the yearly and half-yearly financial report of European listed companies.

If you would like any clarification of these comments please do not hesitate to contact me.

Yours sincerely,

Prof. Dr. Klaus Pohle
President