Ernst & Young LLP

April 19, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549-0609

First-Time Application of International Financial Reporting Standards
(Release Nos. 33-8397; 34-49403; International Series Release No. 1274)
Commission File No. S7-15-04

Dear Mr. Katz:

On behalf of the global organization of Ernst & Young, we are pleased to comment on the proposed amendments to Form 20-F that permit eligible foreign private issuers, for their first year of reporting under International Financial Reporting Standards ("IFRS"), to file two years rather than three years of financial statements prepared in accordance with IFRS in the year of adoption. Overall, we agree with the proposed accommodation and believe it will benefit foreign private issuers and investors. While we support the Commission's objectives and the majority of the proposed amendments to Form 20-F, we would like to provide some comments and suggested improvements for the Commission's consideration. Our comments and recommendations regarding the proposing Release are discussed in detail below.

We recognize that the International Accounting Standards Board ("IASB") has significantly improved global standards for financial reporting. We support its efforts to continue to improve accounting standards throughout the world for cross-border offerings and listings. A common high-quality financial reporting system allows investors to better compare companies from different countries, therefore allowing for more informed investment decisions. We believe that the Commission's proposed accommodation recognizes the IASB's accomplishments, and is another step towards achieving a common worldwide financial reporting model that will better serve the interests of investors.

Use of Exceptions Permitted by IFRS 1

IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") provides for certain exceptions in the retrospective application of IFRS to periods before the transition. The exceptions are either elective (for example, business combinations, pensions) or mandatory (for example, derecognition of financial assets and liabilities, hedge accounting).

Considering that all listed European Union companies generally will be required to adopt IFRS in their consolidated financial statements beginning in 2005, the IASB's project on first-time adoption was particularly important. The IASB's aim was to develop standards for first-time adopters in all parts of the world that appropriately balanced the cost to preparers with the benefits to users. In doing so, the IASB carefully deliberated comments received on its exposure draft, and decided on certain permitted exceptions to retroactive application. Based on the IASB's rationale as outlined in the Basis for Conclusions, we believe that the IASB's decisions were based on careful and reasoned judgment. In addition to the IASB's consideration of the cost to preparers of retroactive application, we further observe that the exceptions made are consistent with U.S. generally accepted accounting principles, which also would exempt those exceptions from retroactive accounting treatment.

We note, however, that the proposing Release appears to go further than what is required under IFRS 1. The Release proposes that, to the extent the primary financial statements make use of any of the exceptions, the company must identify each exception, qualitatively disclose the impact that alternative accounting would have had, and explain the significance of the exception, including the line items affected, if material.

We agree that identification and disclosure of the permitted exceptions a company has chosen to take provides meaningful information to investors. In our view, investors benefit from understanding the general areas where accounting policies differ between years. However, we question the usefulness of the proposing Release's additional required disclosures regarding the significance of each exception to the company's financial condition and results of operations, and the identification of materially affected line items. This language appears to imply a quantification of the effects of the exception, a requirement that IFRS 1 specifically chose to avoid. In making that choice, the IFRS Basis for Conclusions discusses the IASB's rationale against retroactive application. Regarding business combinations, for example, the IFRS comments that "retrospective application…could require an entity to recreate data it did not capture at the date of a past business combination and make subjective estimates about conditions that existed at that date." Rather than burdening a company with the cost of such an effort, IFRS 1 focuses instead on ensuring that current IFRS requirements are appropriately applied, an objective we strongly support.

Also, regarding financial instruments, IFRS 1 considered the practical implementation difficulties that could arise from the retrospective application of IAS 39, *Financial Instruments: Recognition and Measurement.* IAS 39 requires an entity already applying IFRS to apply the hedging requirements prospectively when it adopts IAS 39. Otherwise, retrospective designation of hedges could lead to selective designation of hedges in order to report a particular result. IFRS 1 points out that, because the same problems would arise for first-time adopters of IFRS, prospective application should be required for first-time adopters as well. We also note that prospective application treatment is consistent with the requirements of FAS Statement 133, *Accounting for Derivative Instruments and Hedging Activities*.

Further, while we do not object to disclosure regarding the nature of the exceptions taken, we are concerned about the confusion to investors that might result from additional quantitative disclosures that could be interpreted as a "what-if" retroactive application. Such disclosure could leave investors wary of the quality of the financial statements when, in fact, a company thoroughly complied with the carefully deliberated first time adoption requirements of the IASB. In our view, two years of complete financial statements prepared in accordance with IFRS, identification of the specific exceptions taken, together with (1) IFRS 1's required reconciliation of a company's equity and net income reported under previous GAAP to its equity and net income under IFRS, and (2) the SEC's required reconciliation from IFRS to U.S. GAAP provides investors with the critical information needed to make reasoned judgments about the company's financial performance.

Condensed U.S. GAAP Information

The proposing Release requires foreign private issuers availing themselves of this accommodation to present condensed U.S. GAAP financial information for the three most recent years in a level of detail consistent with that for interim financial statements required by Article 10 of Regulation S-X. As noted in the proposing Release, the Commission believes that investors value three-year trend information prepared on a consistent basis of accounting. We question whether this additional level of information is necessary, and also note that it raises a practical reporting issue for auditors as explained below.

Under current SEC requirements, first-time foreign registrants that elect to prepare their financial statements in accordance with U.S. GAAP may provide an income statement and statement of cash flows for only the two most recent fiscal years. This accommodation also applies to financial statements of foreign businesses filed by domestic registrants and foreign private issuers pursuant to Rules 3-05 and 3-09 of Regulation S-X regardless of the significance of the foreign acquiree or foreign investee. In those situations, the Commission appears to have concluded that two years of statements of income, changes in shareholders' equity and cash flows presented on a consistent basis of accounting provide a sufficient basis for investment decisions.

We respectfully request that the Commission reconsider whether the circumstances surrounding a first-time adoption of IFRS are sufficiently different from those of a first-time foreign registrant electing to file under U.S. GAAP to require this additional level of financial information. Presenting IFRS 1's reconciliation requirements for equity and income (between previous GAAP and IFRS), together with the U.S. GAAP reconciliation, and two years of complete IFRS financial statements would seem to provide investors with the relevant measures needed to assess financial performance.

Finally, we would like to point out that the requirement for the condensed financial information to be audited creates a practical reporting issue for auditors. Consider the case of a foreign private issuer adopting IFRS in 2005. The current auditors' report would focus on whether the primary financial statements are presented in accordance with IFRS and on the reconciliation of the IFRS financial statements to U.S. GAAP for 2004 and 2005. However, the proposing Release would also require audited U.S. GAAP condensed financial information for three years (that is, 2003, 2004, and 2005). Under the current reporting framework, auditors would not be able to report on the condensed financial information for the third preceding year under U.S. GAAP because the auditors' report would address only the two most recent years presented in the financial statements, which are under IFRS. In addition, the condensed financial information does not represent a full set of financial statements on which the auditor can opine. Consequently, if the Commission retains the requirement for the third preceding year, we suggest as an alternative that the condensed U.S. GAAP information be disclosed as part of the operating and financial review and prospects section of the Form 20-F. In this manner the information would still be made available to investors for their trend analysis without presenting a reporting issue for auditors.

Interim Financial Information in the Transition Year

The proposing Release indicates that when a foreign private issuer is switching to IFRS and is required to present interim financial statements for a period in the year of change ("Transition Year"), the foreign private issuer will be required to present three years of audited financial statements and two years of unaudited interim period financial statements in accordance with its prior basis of accounting. This situation might occur, for example, when a first-time adopter is filing a registration statement and the age of its annual financial statements is in excess of SEC requirements, thereby necessitating interim financial statements.

For example, a foreign private issuer that has a year-end of December 31, and is switching to IFRS for 2005, would include in a registration statement filed during 2005 audited financial statements for the years ended December 31, 2002, 2003 and 2004, and (when required), unaudited financial statements for the six months ended June 30, 2004 and 2005, all prepared in accordance with its previous GAAP and, when required, containing a reconciliation to U.S. GAAP.

In order to comply with the proposed requirements, foreign private issuers will be required to maintain financial statements prepared in accordance with both its prior GAAP and IFRS for interim periods in the Transition Year. We believe that many companies that adopt IFRS will understandably cease to maintain the prior GAAP reporting system at the beginning of the Transition year. We question whether the cost of maintaining the prior GAAP reporting system justifies the incremental benefits to investors.

In a situation where a foreign private issuer is required to present interim period previous GAAP financial statements for the Transition Year, the foreign private issuer might have also published financial statements covering those current and prior year interim periods in accordance with IFRS. Under the proposing Release, a foreign private issuer must include in its SEC filings both IFRS financial statements and previous GAAP financial statements for current and prior year interim periods, when both are available. We believe that this requirement could create uncertainty and confusion for investors with respect to identifying which financial statements to rely on in assessing the company's financial performance.

Further, we note that this requirement appears to be inconsistent with current practice. For example, foreign private issuers that currently report to the SEC using comprehensive U.S. GAAP, while using home country GAAP in their domestic market, are not required to include the home country GAAP financial statements in their SEC registrations. Therefore, we respectfully request the Commission to re-consider the proposing Release's requirements related to interim financial information.

Limitation of Accommodation to Foreign Private Issuers only

The proposing Release limits the two-year financial statement accommodation for first-time adopters of IFRS to only foreign private issuers. For the same reasons that the accommodation was extended to foreign private issuers, we believe that it should be provided to other financial statements filed with the Commission as well. In our view, the accommodation should also be extended to the financial statements of entities prepared under the requirements of Regulation S-X, Rules 3-05 and 3-09, provided the entities meet the definition of a foreign business as defined by Regulation S-X 1-02(l).

We believe this accommodation should apply to both foreign private issuers and U.S. domestic registrants required to provide Rule 3-05 and 3-09 financial statements for a foreign business. Such an accommodation would be consistent with the current practice that permits such statements to be prepared on the same basis and under the same age requirements as the financial statements of foreign private issuers.

Sunset Provision

The Release's proposed accommodation would apply only to foreign private issuers that have not previously published financial statements under IFRS and that publish IFRS financial statements for the first time for any financial year beginning on or before January 1, 2007. By limiting the accommodation to this date, companies that adopt IFRS at a future date will be prevented from availing themselves of its provisions. We believe that this accommodation should continue to apply to all companies that have not previously published financial statements under IFRS.

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We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

/s/ Ernst & Young LLP