

Advice on compatibility of the IFRS for SMEs and the EU Accounting Directives

Q1: Do you think that some of the paragraphs of the IFRS for SMEs, EFRAG has identified as being incompatible with the EU Accounting Directives, are compatible with the EU Accounting Directives? (If so, why?)

No

Q2: Do you think that paragraphs 9.6, 19.14, 21.4 and/or 29.24 are incompatible with the EU Accounting Directives? (If so, which and why?)

As to the issue of “Potential voting rights” we think that there is no incompatibility with the Accounting Directives when 9.6 of IFRS for SME refer “options or convertible exercisable...” because it does not mean a potential right but an actual real right that can be exercisable. So, in substance there is no significant difference between those financial instruments and shareholders rights which are similar rights exercisable because they may or may not be exercised.

As to § 19.14, 21.4 and 29.24 of IFRS for SME we agree with the majority of EFRAG members that think that these requirements of IFRS for SME are not incompatible with the Accounting Directives namely those that think that “likely” in article 20.1 of the 4th Directives should be interpreted as “probable” in §21.4 of IFRS for SME. We also think that it would be in accordance with the prudence principle of EU Accounting Directives to recognize contingent liabilities acquired in a business combination and current and deferred taxes using the probability-weighted average amount when it is not probable that these liabilities will arise.

Q3: Do you think there are other paragraphs of the IFRS for SMEs that are incompatible with the Council Directives? (If so, why?)

We have not identified any other paragraphs of IFRS for SME that are incompatible with the Directives.

Q4: Are you aware of situations where the conclusions reached by EFRAG would have been different had another language version than the English version been applied in the analysis? (If so, what conclusion would be different and why?)

We do not know

Q5: Do you have other comments in relation to EFRAG's conclusions and their bases (including conclusions stated in EFRAG's working paper)?

No

Lisbon, 21st April 2010