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III WORKING GROUP ON IFRS IMPACT AND

CBSO DATABASES

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Standard formats (extended and reduced)

XBRL extension of reduced format from IFRS-GP taxonomy

European Committee of Central Balance Sheet Data Offices (CBSO)

CONTENTS

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I. INTRODUCTION

This working paper is mainly to report to and inform the European Committee of Central Balance Sheet Data Offices on three main matters: a) the preparation of a standard IFRS-based questionnaire by the CBSO participating in the working group, with two levels of detail (extended, with the whole set of items available in IFRS, and reduced, that is to say, the one that could be in future the common information available in the European CBSO); b) an explanation of the work performed with XBRL that finished with the definition of a taxonomy based on the reduced format ;and; c) a preliminary study on the application of IFRS in EU, through a work performed with real examples, used as well as stress test of the reduced format.

With respect to the preparation of an IFRS format that could be used in the future as a common questionnaire, the Working Group decided to build up a standard input. The working method followed by the group was to look into the different IFRS approved by the IASB[1], and to create, as a methodology of working, a questionnaire as extensive as possible as an initial step. Afterwards, the participants in the WG would test and decide on the information considered essential and useful in order to reduce the extension of the format or, at least, to foresee what the common points of the European CBSO databases could be in the future. For this purpose, the IFRS-GP taxonomy has been used[2]. The extended standard format and its methodological note were finished between 2002 and 2004.

During year 2005, the WG has focused on the definition of the reduced format, especially on coherency between extended and reduced format. After the definition of a stable version of the reduced format, the WG has worked in a joint project with IASCF regarding the extension of the IFRS-GP taxonomy, in order to create a taxonomy based on the reduced format. IASCF volunteered to lead the project, which was finished in September 2005.

Accordingly, the WG has dealt with two versions of the standard format:

a) The extended format, which contains a full set of information requirements derived from IFRS. The extended standard format might become a tool and a cornerstone for other European institutions that in future desire to create a central balance sheet data office.

[1] International Accounting Standards Board.
[2] The IFRS-GP taxonomy contains main financial statements: balance sheet, income statement, cash-flow statement, statement of changes in equity, accounting policies and notes to financial statements, for both general purpose entities and financial institutions. This taxonomy was issued on May 2005, being the main difference between the draft and the final version the modularisation of the

b) A reduced version of the format, containing information required by at least four countries of the WG. As was stated before, this reduced format intends to be a compromise of minimum common information available in all ECBSO in future, that could be the basis for a European database, and that will help the updating process of BACH and ESRD databases to IFRS. The basis of this work was the analysis of the essential information in each CBSO (which can be found in a previous version of this document).

All current existing central balance sheet data offices creating new questionnaires compliant with IFRS could try to do it between the reduced format (as minimum) and the extended standard format (as maximum).

The document is structured in five chapters and four annexes. The chapters show the general features of the extended standard format of questionnaire constructed, and a description of the reduced format. Next, the process of definition of a taxonomy of the reduced format is briefly explained, as well as an analysis on the real examples used for checking the standard formats. Finally, the four annexes of the document include the standard IFRS-XBRL based format of questionnaire (Annex 1), the reduced format (Annex 2), the methodological note of the reduced format as of September 2005 (Annex 3), and the real examples used to check the formats (Annex 4).

At this point, the WG would like to acknowledge Josef MacDonald, Bartosz Ochocki, Maciej Piechocki, Harald Schmitt and Joel Vicente their work and collaboration with the reduced format's taxonomy building process.

taxonomy, with a user-friendly presentation (formerly, the taxonomy was mainly a list of about 4.000 elements). The IFRS-GP taxonomy is expected to remain stable until end of 2005.

II. STANDARD EXTENDED FORMAT OF QUESTIONNAIRE

The WG decided to develop a standard IFRS questionnaire, taking into account most of the requirements for accounting information to be disclosed under IFRS. In Annex 1, where the standard format is shown, there is a precise reference to the IFRS paragraph that requires the data and also to the taxonomy, if any, where the element can be found (i.e., IFRS.GP or CBSO-RF).

The most significant decisions taken by the WG with respect to the presentation of the financial statements are the following:

- **Employment**: although every requirement about employment has disappeared from the revised version of IAS 1, the WG has decided to maintain the employment chart in the format, as employment is a core matter of the analysis in some Central Balance Sheet Data Offices.

- **Income statement by function:** due to the importance given to certain disclosures by nature, the WG decided to set up additional disclosures by nature. That is to say, a detail of employee expenses, depreciation and amortization, and impairment losses.

- **Income statement by nature:** several disclosures have been decided other than those prescribed by IFRS-GP: detail of depreciation and amortization by element and a breakdown of other operating expenses.

- **Income statement by function and by nature**: the WG considered significant to have information on government grants related to income and government grants related to assets transferred to income, other non operating expenses (including negative goodwill immediately recognised, and gain (loss) on changes in fair value of non current assets). Besides information on exchange differences and operating leases has been added, as well as other captions regarding subcontracting, external staff, purchases and changes in inventories, gains and losses on the disposal of land, and sales and purchases in foreign countries.

- **Use of net values**: the WG decided to provide figures in net values only in the balance sheet. Information and figures on accumulated depreciation and impairment losses, provisions for depreciation and other reductions in the value of assets have been sent to the corresponding notes. However, the reconciliation chart in each note is presented using net values too.

- **Non-current / current assets and liabilities**: following the IFRS-GP taxonomy and IAS 1[3]**,** the group chose this kind of presentation of the assets rather than the liquidity approach.

- **Investment grants**: since IAS 20, relating to the accounting of government grants, allows the presentation either on the assets side (deducting the subsidised asset) or on the liabilities side (as deferred income), the group decided to show this information both as a part of the notes to the assets and on the liabilities side of the balance sheet.

- **Land and buildings:** due to the importance for National Accounting purposes of having a separate breakdown of land and buildings, a layout has been set up (although the majority of countries have declared they are not interested in this division, which is difficult to find in the real examples, as subsequently reported).

- **Investments in subsidiaries:** following IFRS-GP taxonomy, it was decided to present this breakdown of non-current financial investments for individual accounts (although in some real cases it has been found this item in consolidated ones).

- **Other financial assets (non current and current):** despite IFRS-GP does not contain information of financial assets by financial instrument and IAS 39 does not require it, the WG considered of a great importance to have the detail of shares and participations, securities other than shares, loans, loans to related parties, and other financial assets.

- **Profit (loss) of the period**: although IFRS-GP does not clearly prescribe to detail the amount in the balance sheet, the WG agreed to open a separate caption of it.

- **Payables, non current, and trade and other payables, current**: the WG has decided to open a detail with trade payables and other payables, and advances received (current).

- **Statement of cash-flow (both methods):** the WG decided that apart from the XBRL tags already defined, it is significant to know the flows related with financial liability instruments by financial nature; that is to say, with bank borrowings, debentures and other loans, convertible borrowings, redeemable preference shares, and other borrowings.

- **Statement of changes in equity:** the WG considered restructuring of this statement where income and expense recognised directly in equity is to be found in it. Besides as it is important for the system of analysis to have additional information on sale (purchase) of treasury shares and dividends, these lines appear separately in the statement.

- **Notes to financial statements:** the extended format comprises the following notes:

    - Property, plant and equipment,
    - Investment property,
    - Intangible assets,
    - Biological assets,
    - Financial assets (with a reconciliation by financial instrument and by financial destination / use of the investment),
    - Current assets,
    - Provisions and grants,
    - Hedging instruments and risk note (assets & liabilities),
    - Borrowings and payables,
    - Borrowings movements,
    - Tax note,
    - Defined benefit plans,
    - Equity,
    - Related parties,

[3] According to the revised version of IAS 1, items in the balance sheet should be classified as "current" and "non-current", unless a

- o Segment reporting, and
- o Non-current assets and disposal groups held for sale.

liquidity presentation provides more relevant and reliable information.

III. STANDARD REDUCED FORMAT

The aim of the reduced format is to be a compromise of minimum information throughout European CBSO, that is to say, to become the common data available in future within the ECBSO; of course, each member will freely decide to extend it, according to its needs for their national use. During 2004 the WG initiated the definition of the standard reduced format, once the opinion about essential items in the extended format was provided by each member. It was decided then to consider the construction of the reduced format, as a first approach to build it, only these items stated as essential by at least four countries.

This work gave rise to a first draft version of the reduced format. In year 2005, inconsistencies within the format and with the extended format have been analyzed and removed. Some lines, which were not essential separately but in aggregate, have been merged up as well. With the final version of the reduced format, IASCF extended the IFRS-GP taxonomy, creating the so called CBSO-RF taxonomy, which exactly suits the reduced format (point IV informs in detail on this topic).

A brief summary of the reduced format's contents is listed below:

- General characteristics and employment: most of the information about general characteristics of the entity continues to be required in the reduced format. Besides, information about employment has been inserted in this note, as only a part of them was considered essential by the members of the WG.

- Business combinations and consolidation: this information has been merged into a single note. Regarding consolidation, the total number and the most important subsidiaries, associates and joint-ventures shall be disclosed. On the other hand and relating to business combinations, the following information is asked in the format:
    - Name of entities acquired,
    - Identification number,
    - Type of business combination,
    - Acquisition date, and
    - Percentage of voting shares acquired.

- Income statement by function and by nature: these statements were largely summarized as a significant number of lines were not essential to the members of the WG. These deletions mainly comprised breakdowns of gain (loss) from the disposal of non current assets, finance costs, income (loss) from investments, depreciation and amortization, and impairment losses.

- Assets: some "of which" lines requiring information about related parties have been added and the following breakdowns have disappeared:
  - Land and buildings,
  - Other elements of property, plant and equipment,
  - Investment property,
  - Biological assets,
  - Investments in related parties,
  - Securities other than shares (both non-current and current),
  - Trade and other receivables, non-current, and
  - Inventories.

- Liabilities: in the same way the WG proceeded with the assets, several "of which" disclosures were added. Besides, the following disclosures were deleted from the extended format:
  - Other reserves,
  - Borrowings from financial institutions (both non-current and current),
  - Provisions (both non-current and current), and
  - Trade and other payables, non-current.

- Statement of changes in equity: columns have been reduced with the elimination of the breakdown of reserves. Thus, the statement in the reduced format only has nine columns. Lines have also been summarized, taking most of the lines related with income and expense recognised directly in equity (but surplus on revaluation of assets and foreign currency translation effects) into a single line. Main movements of capital still have a separate line (for example, dividends, treasury shares or issuance of shares).

- Cash flow statement (direct method): only main headings continue to appear in the format. Only breakdowns in this statement are the ones of cash flows from (used in) operations, acquisitions and disposals, and proceeds from cash flows from financing activities.

- Cash flow statement (indirect method): only main headings continue to appear in the format. Only breakdowns in this statement are the ones of acquisitions and disposals, and proceeds from cash flows from financing activities.

- Notes: most of the notes from the extended format have disappeared in the reduced format. So, they have been included into a single spreadsheet containing:
    - A chart of movements of non current assets (property, plant and equipment, investment property, intangible assets, and biological assets), containing only main movements and their main elements.
    - A chart of movements of non current financial assets, investments in subsidiaries, investments in associates and investments in joint ventures.
    - A chart of movements of provisions, with only seven lines.

IV. XBRL EXTENSION OF THE REDUCED FORMAT

An XBRL taxonomy contains all elements to be reported under a determined framework (Basel II or IFRS, among others) in a standard worldwide recognized format. One of the main features of XBRL is the possibility of extend an existing taxonomy, giving rise to an extended taxonomy. It is important to mention that an extension (or an extended taxonomy) does not necessarily means an increase in the number of elements in the taxonomy; it may only consist of prohibitions to use certain elements[4].

The IFRS-GP taxonomy, approved in May, is the taxonomy listing every information requirements within IFRS, giving as a result a taxonomy of a considerable size (over 4000 elements), as it contains also requirements for financial institutions. The WG decided to extend the IFRS-GP taxonomy for CBSO purposes, using the reduced format as cornerstone. At this moment, Josef MacDonald, observer in the WG and also chairman of the IFRS-XBRL Working Group, volunteered to manage the work. The WG also agreed on using the extended taxonomy to update the real examples, in order to test both the taxonomy and the reduced format. In order to ease the process and given the fact that some members of the WG do not have XBRL software tools, it was decided to map the taxonomy into an Excel file resembling the reduced format, using DragonTag software.

Once the reduced format was amended with changes arising from the meeting in Frankfurt, it was considered as closed and sent to the IASCF team[5]. In the following days, some minor adjustments to the format were made, as a consequence of the mapping process. A representative of the WG travelled in April to London and worked closely with the IASCF team in the first steps of the work.

The work was expected to be finished by the XBRL Conference, held in Boston in late April. Unfortunately, as XBRL is a standard currently under development, deadlines could not be met. However, this delay should not be considered as a negative result from the work, but as a good way of learning how to work with XBRL and to cope with difficulties arising in the extension of a taxonomy. Josef MacDonald presented the work achieved so far in Boston (http://www.xbrl.org/BostonPresentations/2005-04-27_Macdonald_ECCBSO_Boston_Final.zip), obtaining some interesting feedback from attendants. Finally, the work with the taxonomy was

[4] For further information about implementation of XBRL throughout Central Banks and Member States, please refer to document 5 of this Working Group.

[5] IASCF Team members are Josef MacDonald, Bartosz Ochocki, Maciej Piechocki, Joel Vicente and Harald Schmitt, all of them working in IASCF premises in London.

finished in late June. It is foreseen to present the final results of this common work (IASCF WT and IIIWG ECCBSO) in the next XBRL International Conference, to be hold in Tokyo, November 2005.

The work with real cases started in June 2005 and was finished by September 2005. Although real cases are important, they should not allow the WG to lose the track of this project, that is, its main target, which is defining a taxonomy for a future possible use among CBSO.

The taxonomy was named CBSO-RF and can be found in [www.eccbso.org]

V. USE OF IFRS BY EUROPEAN CORPORATIONS: ANALYSIS OF REAL EXAMPLES

With the aim of evaluating both the impact of IFRS on CBSO databases and the applicability of the format, several real cases have been studied. Finally, as point IV explains in detail, the real cases has been stored in excel sheets that creates XBRL instance documents. About the information itself, it should be stressed that the data are not the original ones provided by these corporations, but they have been collected directly from their websites. Data have been reorganised in order to fit the standard format developed by the Working Group. Therefore, the data can never be used to analyse the results or situation of the corporations. In the short-term, it is expected that European global players will make an extended use of the prescriptions of IFRS and, consequently, the result of this survey will result in more findings.

The companies that have been used in this methodological analysis were chosen from a range of different sectors of activity and countries. Data have been collected from year 2000, but with some companies starting later as they applied IFRS for the first time after that year. The aforementioned European corporations are the following (names and correspondent websites)[6]:

- Agfa-Gevaert:
http://www.agfa.com/investors

- Air France:
http://www.airfrance-finance.com

- Amadeus:
http://www.amadeus.com/index.jsp

- Austrian Airlines Österreichische Luftverkehrs-AG:
http://www.aua.com

- Bayer:
http://www.bayer.de

- Inbev:
http://www.inbev.com

- Lufthansa AG:
http://www.lufthansa-financials.de

- Metro AG:
http://www.metro.de

[6] French and Italian corporations have caused some problems as they do not apply strictly IFRS. They apply their national GAAP, and only when nothing is mentioned in the national GAAP concerning some operations, IFRS (or even US-GAAP) must be applied.

- Nokia:
http://www.nokia.com

- Renault:
http://www.renault.com

- Roche:
http://www.roche.com/home/investor.htm

- RWE AG:
http://www.rwe.com/

- Wienerberger Baustoffindustrie AG:
http://www.wienerberger.com

The WG decided to analyze also a common real case, in order to share views and impressions on the same financial statements. It is important to have a common real case, to check that all members of the WG give the same meaning to the concepts in the reduced format. The company finally chosen was Stora Enso (www.storaenso.com), from Finland, which is also one of the few entities currently applying IAS 41.

Due to confidentiality policies, real names of companies have been replaced by Greek letters. The following table shows the equivalence between them:

Real company name	Substitute name
Amadeus GTD	Alpha Corp.
Austrian Airlines	Beta Corp.
Bayer AG	Gamma Corp.
Inbev (formerly known as Interbrew)	Delta Corp.
Metro AG	Epsilon Corp.
Stora Enso	Zeta Corp.
Wienerberger AG	Eta Corp.
Agfa-Gevaert	Theta Corp.
Air France	Iota Corp.
Renault	Kappa Corp.
RWE AG	Lamda Corp.
Lufthansa AG	Mu Corp.
Nokia	Xi Corp.
Roche Holding Ltd.	Nu Corp.

Main conclusions arising from this work with real cases are summarized below[7]:

1. Due to the lack of a standardised IFRS format, information in financial statements of companies does not fit exactly with our reduced format: some elements of the format

can easily be filled in, with more information than necessary available; whereas some others are subject to interpretation. Besides, a direct comparison among companies applying IFRS is not possible, as the information contained in their financial statements is not homogeneous (for example, elements included in main body of balance sheet differ significantly).

2. IFRS criteria about current and non-current, and about profit and losses from operations are not applied in a unique way. For example, some companies have trade receivables non-current, while other companies consider that trade receivables are by definition current items, and they include gains on fair valuation of non-current assets within profit (loss) from operations, respectively. It has even been observed that some operations, similar in nature, are however accounted for in different ways by companies.

3. Information about business combinations must be restructured, in order to allow more entries under this caption.

4. Statement of changes in equity creates some mismatches regarding amounts therein included which are not equal to amounts in balance sheet (for example, total equity) or in income statement (for example, profit (loss) of the year).

5. The note of non-current assets requires information in net amounts. As IFRS do not ask explicitly for net or gross amounts, companies have the choice of showing this information in net or in gross terms, without any homogeneity.

6. IAS 1 does not require much information about employment to be disclosed, and therefore companies scarcely disclose it. Sometimes it has been difficult to fill in even the four data demanded in our reduced format.

7. The reduced format contains some information that, though IFRS compliant, is unlikely to be filled in, from the experience with real cases. That is the case of:
   - write down of inventories to net realisable value and other losses and reversals recognised in income statement, since these amounts are often disclosed in the notes (not in the income statement) and thus diluted in larger captions.

[7] In annex 4 of this document, summarized data from real cases can be found.

- the break-down of financial assets in the balance sheet as well as the table of non-current financial assets in the note, as IAS 39 chooses a criterion different to nature of the financial instruments, which is the one followed by the WG.
- disclosures of trade receivables, trade payables and interest bearing borrowings with related parties, in balance sheet.
- the column of minority interest in the statement of changes in equity, as some companies do not consider it as an element of equity (though IAS 1 does), and therefore, do not disclose its movements.
- the distinction made in the note, between accumulated depreciation and accumulated impairment losses, which are presented as a single item in financial statements reviewed.

8. Some residual lines in the format (mainly addressed as miscellaneous) show large amounts, which could mean an indication of some important information missed in our format. This is the case of “Miscellaneous other operating expenses” in income statement, “Remaining interest-bearing borrowings, current” in liabilities side of balance sheet, and “Remaining movements in biological assets” in the note.

9. An item with no value has not necessarily to be zero, as the principle of materiality allows it to be aggregated on the face of the financial statements or in the notes, if it is not material (IAS 1.29 and IAS 1.30).

Document Management

Document name	**Standard format** This document summarizes the work performed by this WG, in order to create a common questionnaire under IFRS. After the introduction, the main work of the year is explained, regarding both the extended and the reduced format, and the XBRL extension of the reduced format. Annexes can be found in separate documents.
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WGIII_format_2005D 3	30/09/2005	Amended document with conclusions from the work with real cases (chapter IV). Draft version of the document to be presented to the ECCBSO.
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Version management

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Name and date of revised document send by each member

Members	Draft		Revision		Approval
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