

Torino, 14th October 2005

**III WORKING GROUP ON IFRS IMPACT AND
CBSO DATABASES**

REDUCED STANDARD FORMAT

Methodological note

European Committee of Central Balance Sheet Data Offices (CBSO)

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I. GENERAL CHARACTERISTICS AND EMPLOYMENT

1. Name of reporting entity

This field requires the name of the reporting company (wording as in the commercial register) or of the group of enterprises (IAS 1.46.a).

2. Identification code of the corporation

It concerns the identification code of the enterprise. In case of consolidated accounts the identification code of the parent corporation should be included.

2.1. National identification code

The national identification numbers or codes as the commercial register code must be noted.

3. Nature of financial statements

Consolidated

The financial statement covers a group of enterprises.

A consolidated financial statement includes all enterprises that are controlled by the parent or in which the parent company has a significant influence.

Individual

The financial statement covers the individual enterprise.

4. Accounting period

4.1. Yearly or interim financial statements

Here you find the information about the usual period of accounting (yearly, half-yearly or quarterly).

4.2. Opening date of the financial statements (yyyy-mm-dd)

4.3. Balance sheet date (yyyy-mm-dd)

The opening and the closing date informs about the period that is covered by the financial statements (IAS 1.46 c). Additionally the information is given whether the balancing year is identical with the fiscal year.

5. Presentation currency

The common format should include the information about the reporting currency, especially in cases where it is different to the Euro (IAS 1.46.d)

6. Domicile (street, square, etc.)

The domicile includes the address of the registered office (or principal place of business, if different from the registered office) (IAS 1.126.a)

7. Legal form

This part gives a description of the legal form of the enterprise.

Capital oriented - issuing shares (public limited company)

This includes companies whose capital is divided into shares. Shares are usually not bound on a particular person (except name shares) therefore they are freely transferable. Many large companies apply for stock exchange quotations to facilitate dealings in the shares they have issued.

Capital oriented - issuing participations (private limited company)

The capital of these companies is held by associates (natural or legal persons), which have the risk limited to their share of capital. Normally the ownership transfer is only possible under strict conditions and has to be decided at the general meeting. The company must not offer its shares to the general public.

Personal oriented

These companies are partnerships e.g. associations of two or more persons as co-owners. In case of limited partnerships there are two types of partner: "general partners", with unlimited liability, and "limited partners", whose liability is limited to the amount of their agreed capital contribution.

Others

If the above mentioned are not describing the form of the company a description of the legal form should be given (e.g. general partnerships).

In the annex 1 to the methodological note you find an overview on the peculiarities of each member state.

8. Country of incorporation

There, the country of incorporation or the principal place of business, if different from the registered office, should be noted (IAS 1.126.a)

9. Year of foundation of the company

There the year of formation or establishment of the company should be mentioned, e. g. the entry in the commercial register.

10. Description of operations and principal activities (NACE code)

In these columns, a brief description of the enterprise's operations and principal activities should be given as well as the specific NACE codes (4 digits) and the turnover of each activity (in same unit of the financial statements). Please remember that this information might not be 100% equivalent to information by segments (as requires IAS 14).

11. Listed companies

Listed with shares:

These companies are listed with shares at a stock exchange.

Listed with other instruments:

Companies listed at a stock exchange but with other financial papers than shares e.g. bonds, convertible bonds.

Listed with shares and other instruments

Non-listed

Include companies which are not listed at a stock exchange

Main stock market where the equity of the company is quoted

In case that the company is listed with shares or other instruments at one or several stock markets in this field there should be filled in the name of the main stock market. This can be the domestic stock market as well as any international market depending where the major part of the listing is taking place.

12. Information about parent entity of the group

12.1. Name of parent entity

The parent enterprise is the owner of the reporting company

12.2. Name of ultimate parent entity of group

The ultimate parent entity of the group is the head of the group, even if there is only an indirect owner-status to the reporting company

13. Data previous period

Official data

The official data concludes exactly the figures of the financial statement of the previous year.

Recalculated data

In this case there are changes in the current year of the financial statements (changes in accounting policies, errors) and therefore also the previous data is recalculated on this new basis in order to maintain the comparability.

14. Statement about doubt upon entity's ability to continue as going concern

Financial statements should be prepared on a going concern basis unless management either intends to liquidate the enterprise or has realistic alternative but to do so.

When the financial statements are not prepared on a going concern basis, that fact should be disclosed.

15. Statement of IFRS compliance

Information whether the financial statement of the company / group is disclosed under the principles of the IAS or under different accounting standards.

16. Significant changes in accounting policies

When a change in accounting policy has a material effect on the current or prior period, an enterprise should state the occurrence of such a change.

17. Information about auditing. Financial statements audited

17.1. Financial statements audited

17.2. Opinion on the financial statements given by the auditor

Here you have to disclose the opinion of the auditor concerning the financial statement i.e. if he gives a unqualified certificate or if there are any restrictions. Mainly, an unqualified opinion

represents financial statements without any restrictions, whereas qualified opinions contain restrictions or remarks.

18. Information about employment *(for further information, please refer to annex 2)*

Number of employees average over period: employees number each month, expressed in full time equivalents, divided by the number of months of the accounting year.

The date of registration differs from country to country. Details in the following table.

Country	Distinctions between registration date
Austria	Employees number at the last working day of each month.
Belgium	Employees number at the last working day of each month.
France	Non fixed rules ¹
Germany	No fixed rules, only broad recommendations
Italy	Non-fixed rule: recommended daily average.
Portugal	People who have worked the last complete week of each month.
Spain	Employees number at the last working day of each month.

(1) France : it exists only a recommendation of accounting practitioners that proposes to determine the average total employees with this formula : average total employees = total employees in full time during all the year + (with a calculation in proportion of the time of employment) total employees in partial time + (with a calculation in proportion of the time of employment) total employees hired during the year – (with a calculation in proportion of the time of employment) total employees having left the company during the year.

Number of employees at end of period: the number of employees at the last working day of the accounting year expressed in FTE

II. BUSINESS COMBINATIONS AND CONSOLIDATION

1. Business combinations in year of combination (mergers, scissions, etc)

For all business combinations some disclosures should be given for the period during which the combination has taken place (IFRS 3.67).

Name of entity acquired:

The names of the acquired companies should be in the wording of the commercial register.

Identification number:

National identification codes (see note 2 of the general characteristics).

Type of business combination:

In this field a list with the most common combinations helps to identify the right one.

Effective date of acquisition:

This is the date on which the acquirer effectively obtains control of the acquiree (IFRS 3.25).

% voting shares acquired:

The percentage of voting shares acquired.

2. Information about subsidiaries and other entities where voting power is greater than 50%

2.1. Total number of subsidiaries consolidated

Under IFRS all subsidiaries, foreign and domestic have to be disclosed. In this field only the consolidated subsidiaries (not the reporting entity), which exist at the closing date, should be counted.

2.2. Most important subsidiaries consolidated

In the following table only the most important consolidated subsidiaries should be described. The definition of "important" depends on the estimate of the analyst (size of company, voting power, important activity within the group etc.).

Contents of the table:

Name of significant subsidiary:

The common format should include a listing of all important consolidated subsidiaries. The names should be in the correct wording of the commercial register.

Identification code:

National identification codes (see note 2 of the general characteristics).

Country of incorporation of significant subsidiary:

The listing should also include the country of incorporation or residence.

Percentage of ownership interest in significant subsidiary

Includes the proportion of ownership interest.

Percentage of voting power in significant subsidiary if different from percentage of ownership:

Includes the proportion of voting power held.

3. Information about associates and other entities where voting power is between 20% and 50%, and joint ventures

3.1. Total number of associates consolidated

In this field all associates consolidated, which exist at the closing date, should be counted.

3.2. Most important associates and joint ventures consolidated

In the following table only the most important consolidated associates should be described. The definition of “important” depends on the estimate of the analyst (size of company, important activity within the group etc.)

Contents of the table

Name of associate (joint venture):

Includes a listing of all significant consolidated associates (joint ventures); names should be in the correct wording of the commercial register.

Identification code:

National and international identification codes (see note 2 of the general characteristics).

Country of incorporation of investment in associate (Location of joint venture):

Country of incorporation

Percentage of ownership interest in investment in associate (in joint venture):

Includes the proportion of ownership interest

Percentage of voting power in investment in associate if different from percentage of ownership (only for associates):

Includes the proportion of voting power held

III. INCOME STATEMENT BY FUNCTION AND BY NATURE

PRELIMINARY REMARKS

Distinction between nature and function

An enterprise should present, either on the face of the income statement or in the notes to the income statement, an analysis of expenses using a classification based on either the nature of expenses or their function within the enterprises.

The first analysis is referred to as the nature of expense method. Expenses are aggregated in the income statement according to their nature, and are not reallocated amongst various functions within the enterprise.

The second analysis is referred to as the function of expense or 'cost of sales' method and classifies expenses according to their function as part of cost of sales, distribution or administrative activities.

Enterprises classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortisation expense and staff costs. The choice of analysis between the cost of sales method and the nature of expenditure method depends on both historical and industry factors and the nature of the organisation.

Continuing and discontinuing operations

The items of income statement do not include the amount arising from discontinuing operations, the disclosure of these kind of operations may be presented either in the notes or on the face of the financial statement except that the disclosure of the amount of the post-tax gain or loss should be presented on the face of the income statement.

I. INCOME STATEMENT BY NATURE

1a. Operating revenue

An enterprise should disclose the amount of each significant category of revenue recognised during the period including revenue arising from the sale of goods, the rendering of services, interest, royalties and dividends.

1a.1. Revenue

The item contains among others the following categories:

turnover:

The turnover covers 3 categories of revenues:

Sale of goods: The item includes the revenues from the sale of goods; it doesn't include the revenues arising from lease agreements, dividends from investments, insurance contracts, and change in the fair value. The revenues from the sale of goods should be recognised when the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods and when the amount of the revenue can be measured reliably (IAS 18.14).

If the firm retains significant risks of ownership, the transaction is not a sale and revenue is not recognised. Revenue is not recognised when there is simply an intention to acquire or manufacture the goods in time for delivery (IAS 18.16).

Rendering of services: Revenues associated with a transaction involving the rendering of services should be recognised by reference to the stage of completion of transaction at the balance sheet date (IAS 18.20).

Revenue from construction contracts: An enterprise should disclose the amount of contract revenue recognised as revenue in the period (IAS 11.39.a) by reference to the stage of completion of the contract activity at the balance sheet date (IAS 11.22).

Royalty income: Income received for the use of long term assets by another enterprise, such as patents, trademarks and copyrights. They should be recognised on an accrual basis in accordance with the substance of the relevant agreement (IAS 18.30.b).

Property rental income: It includes the rental income from investment property (IAS 40.75.f.i)

Other miscellaneous operating revenue

1a.2. Other operating income, total

1a.2.1. Interest income

The use by others of the enterprise's financial assets rise to revenue in the form of interest for the use of cash or cash equivalents or amounts due to the enterprise. Interest income should be recognised on an accrual basis. As stated in IAS 18 only those amounts derived from the course of the ordinary activities of the entity should be included under this caption (i.e., as the format is not aimed to financial institutions only amounts derived from financial subsidiaries of groups must be considered). For further guidance on accounting of interest income from loans by non-financial institutions, please refer to heading 8. Income (loss) from investments.

1a.2.2. Dividend income

The use by others of investments in subsidiaries, associates and joint ventures rise to revenue in the form of dividends; they are distribution of profits to holders of equity investments in proportion to their holdings of a particular class of capital. The item doesn't include the dividend from trading investments, classified into the income from investments. Dividend income should be recognised when the shareholder's right to receive payment is established. As stated in IAS 18 only those amounts derived from the course of the ordinary activities of the entity should be included under this caption (i.e., as the format is not aimed to financial institutions only amounts derived from financial subsidiaries of groups must be considered). For further guidance on accounting of dividend income from investments by non-financial institutions, please refer to heading 8. Income (loss) from investments.

1a.2.3. Income from government grants

Income from government grants related to income: Grants related to income are presented as a credit in the income statement; alternatively, they are deducted in reporting the related expense.

Income from government grants related to assets: The grants, including non-monetary grants at fair value, may be set up as deferred income which is recognised as income on a systematic and rational basis over the useful life of the assets. In case the enterprise chooses the second method of presentation (deducting from the carrying amount of the asset), the grant is recognised by way of a reduced depreciation charge.

1a.2.4. Remaining operating income: It contains among others the following categories:

Foreign exchange gain from foreign currency borrowings related to interest costs: This item includes the positive exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The negative effects are included into the finance costs.

Gain on redemption and extinguishment of debt: Gain realised by repaying a debt before its due date

Example: initial amount borrowed = 100, to be reimbursed by 2010. Suppose the loan is valued at a fair value (which includes interests to be paid) of 105. Suppose the bank accepts a reimbursement of 101. In that case, the gain equals 4.

Foreign exchange gains from operations

1.b. Work performed by the enterprise and capitalised

This line is used in case an enterprise is constructing an asset for its own use (for instance a building). Since the costs must be activated, they are reversed from the income statement by way of this line.

2. (-) Operating expenses

These items are expenses that arise in the course of the ordinary activities of the enterprises. Expenses are aggregated according to their nature and are not reallocated among various functions within the enterprise.

2.1. (-) Raw materials and consumables used:

(-) *Purchases of raw materials and consumables*: Amounts paid or to be paid to suppliers, VAT excluded

(-) *Changes in inventories of raw materials and consumables*: This item excludes the write-down, that are included in other items of income statement. A negative sign is an arising of inventories.

(-) *Purchases of merchandises*

(-) *Changes in inventories of merchandises*

2.2. Changes in inventories of finished goods and work in progress

The change in finished goods and work in progress during the period represents an adjustment to production expenses to reflect the fact that either production has increased inventory levels or that sales in excess of production have reduced inventory levels. A negative sign is an arising of inventories. This item excludes the write-downs, which are included in other items of income statement.

2.3. (-) Employee expenses

The item includes all the expenses relating to employment, they are divided into the following items:

2.3.1. (-) Wage and salaries

Gross salaries, vacation pay, 13th month, bonuses, etc.

2.3.2. (-) Short term employee benefits

Including the expenses for social security

2.3.3. (-) Post employment benefit charges

(-) *Post employment benefit obligation expense, defined contributions plans*: When an employee has rendered service to an enterprise during a period, the enterprise should recognise the contribution payable to a defined contribution plan as an expense.

(-) *Post employment benefit obligation expense, defined benefit plans*: Includes current service cost, interest cost, net actuarial gain (loss) recognised, etc.

2.3.4. (-) Other employee charges: they include

(-) *Termination benefits*: These benefits are separated from the other benefits because the event, which gives rise to an obligation, is the termination rather than the employee service.

(-) *Equity compensation plans*: They include benefits in such form as shares, share options and other equity instruments issued to employees at less than the fair value at which those instruments would be issued to a third party; they include even cash payments.

(-) *Other long term benefits*: It includes information about other long-term benefits, for example for key management personnel.

(-) *Other employee expenses*: It includes all the items not foreseen by the previous items.

2.4. (-) Depreciation and amortisation

The depreciable amount of fixed assets should be allocated on a systematic basis over its useful life.

of which, (-) write down of inventories to net realisable value and other losses and reversals recognised in the income statement, net

The amount of any write-down of inventories to net realisable value and all losses of inventories should be recognised as an expense in the period the write-down or loss occurs.

2.5. (-) Impairment losses (reversals)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. The reduction is an impairment loss (IAS 36.5).

of which, (-) impairment losses from goodwill

of which, (-) impairment losses from bad and doubtful commercial debts

2.6. (-) Research and development (by nature)

The item includes the aggregate amount of research and development expenditure recognised as an expense during the period.

2.7. (-) Restructuring costs

Examples of restructuring costs are sale or termination of a line of business, changes in management structure as eliminating a layer of management, fundamental reorganisation that have a material effect on the nature and focus of the enterprise's operations.

2.8. (-) Miscellaneous other operating expenses (by nature): the item includes all the operating expenses not included in the previous items or the operating expenses that are a mix of various expenses.

(-) Other taxes different than income tax: It includes all the taxes not included in the income tax expense, such as real estate tax or environmental taxes.

(-) Net additions to provisions: Includes the additional provisions made in the period, including increases to existing provisions and reversals of (existing) provisions.

(-) Subcontracting

(-) External staff

(-) Other operating expenses: Those not included above

II. INCOME STATEMENT BY FUNCTION

The following items are useful for income statement by function only

1a. Gross profit

It is the difference between operating revenue and the cost of sales, excluding the other operating income and expenses.

1b. Other operating income: See heading 1a.2 of Income Statement by Nature

2. (-) Operating expenses (IAS 1.92) : all expenses (depreciation, impairment, employee expenses, etc.) should be allocated to the different "functions" within the enterprise.

2.1. (-) Marketing and distribution costs

2.2. (-) Research and development (by function)

Includes all research expenditure and development costs not recognised as an asset (IAS 38.126)

2.3. (-) Administrative expenses

2.4. (-) Restructuring costs

2.5. (-) Miscellaneous other operating expenses (by function)

III. INCOME STATEMENT BY NATURE AND BY FUNCTION

The following items are useful both for income statement by nature and by function

3. Profit (loss) from continuing operations before tax, finance and other related costs

This item is the difference between operating revenue (heading 1 of the income statement) and operating expenses (heading 2)

4. Gain (loss) on financial instruments designated as cash flow hedges

It includes the amount that is removed from equity and included in profit or loss for the period

5. Gain (loss) from derecognition of available for sale financial assets

This item includes the amount that was removed from equity and reported in net profit or loss for the period, in case the available for sale financial asset is derecognised.

6. Gain (loss) from the disposal of non-current assets not held for sale, total

This item includes the gains (with positive sign) or the losses (with negative sign) arising from the disposal of non-current assets. Gains and losses arising from the retirement or disposal of non-current assets should be determined as the difference between the net disposal proceeds and the carrying amount of the assets and should be recognised as income or expense in the income statement.

7. (-) Finance costs [for non-financial activities]

Apart from interest expenses, this line should include costs arising from:

(-) *Foreign exchange losses from foreign currency borrowings related to interest costs*: this item includes the negative exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The positive effects are included into the operating revenue.

(-) *Amortisation of discounts or premiums relating to borrowings*

(-) *Amortisation of ancillary costs relating to borrowing arrangements*

(-) *Loss on redemption and extinguishment of debt*: Additional costs paid to reimburse a debt before its due date, often referred to as re-investment indemnity.

Example: initial amount borrowed = 100, to be reimbursed by 2010. Suppose the loan is valued at cost. Suppose the bank accepts a reimbursement of 101. In that case, the loss equals 1.

(-) *Other finance costs*

of which, (-) interest expense

(-) *Interest expense, bank borrowings*: It includes only the interest and the other costs in connection with bank borrowings. It includes interest on short-term and long-term borrowings

(-) *Interest expense, other borrowings*: This item include all the financial cost in connection with non-bank borrowings.

8. Income (loss) from investments (*financial instruments except hedging*)

Apart from interest earned on loans and deposits, it should contain amounts regarding:

Dividends from trading investments: The dividends from subsidiaries, associates and joint ventures are included in the operating revenue.

Gain (loss) on disposal of trading investments

Gain (loss) on trading investments

Other income (losses) from investments: It includes all the income or losses not foreseen in the previous items.

of which, interest earned on loans and deposits

Interest arisen from loans and deposits, current and non current, to third and related parties.

9. Share of profit (loss) from equity accounted investments

The following items include all the income (with positive sign) and the losses (with negative sign) arising from investments accounted using the equity method; they include only the investments where is presumed to exist at least a significant influence.

10. Other non operating income

It includes all the non operating income that has not been possible to classify in the previous items.

11. Other miscellaneous non-operating expenses

It includes all the non operating expenses that has not been possible to classify in the previous items.

of which, negative goodwill immediately recognised

Any excess in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost should be recognised in this caption. As it is supposed to behave as an income, it should have a negative sign.

of which, (gain) loss on changes in fair value of non-current assets

(Gain) loss on changes in fair value of investment property: According to IAS 40 the enterprises that apply the fair value model should disclose the net gain or losses from fair value adjustment.

(Gain) loss on changes in fair value of biological assets: A gain or loss arising on initial recognition of a biological asset at fair value should be included in net profit or loss during the period in which it arises (IAS 41.26).

12. Profit (loss) before tax

13. Income tax expense (income)

The tax expense (income) related to profit or loss from ordinary activities should be presented on the face of the income statement. Components of tax expense (income) may include: current tax expense, the amount of deferred tax expense (income) relating to the origination and reversal of

temporary differences and to changes in tax rates, the amount of the benefit arising from a previously unrecognised tax loss, and others.

14. Profit (loss) after tax from continuing operations (before minority interest)

15. Profit (loss) from discontinuing operations, net of tax

An entity shall disclose a single amount on the face of the income statement comprising the total of (IFRS 5.33 a):

- (i) the post-tax profit or loss of discontinued operations and
- (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

16. Profit (loss) (before minority interest)

17. Profit (loss) attributable to minority interest

Minority interest is that portion of the profit or loss of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent (IAS 27.4).

18. Profit (loss) attributable to equity holders of parent

VI. ADDITIONAL DISCLOSURES BY NATURE

See heading 2 of Income Statement by Nature

IV. BALANCE SHEET: ASSETS SIDE

Important remark: the main body of the assets side must be presented *using net values*; that is to say, to fulfil the carrying amount (net book value) of the correspondent asset net of accumulated depreciation and amortisation, accumulated impairment losses, and **government grants** if the company has chosen to account for them in the assets side, as a reduction in the value of the related assets.

General: please, detail the content of the captions denominated as "other" (in the main body as well as in the corresponding notes) when the amount is significant

The following captions have several explanations, in order to help the corporation to dully fulfil the standard questionnaire, based on IFRS-GP taxonomy.

Box 1. Definition of current / non-current

The classification of assets and liabilities in the financial statements is quite different in the seven CBSO of the Working Group. IAS 1 establishes a definition of current and non-current assets and liabilities. The following chart summarizes the criteria taken by IFRS:

Alternative classifications

The current databases of each CBSO can deal with the criteria marked in the following table:

	Austria	Belgium	France	Germany	Italy	Portugal	Spain
Operational cycle			X				X
Short-term / long-term	X	X		X	X	X	X
Current / Non-current (IFRS)		X					X

I. ASSETS, NON-CURRENT, TOTAL

Advanced payments must be allocated among the different elements they are referring to. No further information about them is required in the note.

1. Property plant and equipment are tangible assets that:

- Are held by the enterprise for use in the production or supply of goods or services, or for administrative purposes; and
- Are expected to be used during more than one period.

Those elements held for sale must be presented under caption 11 of the current assets.

1.1. Land and buildings

Land: Only lands and natural resources must be included here. With respect to lands, do record those ones which have not been built or are in the course of construction.

Buildings: Also including the land, when the building has been finished.

1.2. Plant and equipment

Includes machinery, production lines...

1.3. Remaining property, plant and equipment: Under this item the following elements are included:

Motor vehicles: Includes aircrafts, ships, trains, cars, fork-lift trucks, motorbikes...

Fixtures and fittings: Includes climate control units, heating, sewer systems, carports...

Leasehold improvements: Finance leases are not included here. Finance leases must be allocated among the different property, plant and equipment (ppe) elements. Leasehold improvements are specific fixtures to enhance/use an operationally leased or rented asset such as a heating, climate control unit, shelves, etc. in e.g. an operationally leased or rented warehouse. Leasehold improvements are capitalised if two conditions are met: (a) the cost is too important to be charged to the income statement; (b) the cost cannot be capitalised along with the related asset since that asset does not appear on the enterprise's balance sheet. In the current version of the Taxonomy this tag is part of the tangible asset reconciliation.

Other property, plant and equipment: Office equipment such as computers, furniture, small refrigerators, coffee-makers, hat stands must be included under this caption.

1.4. Construction in progress:

As long as the ppe element is not ready for operation, it remains included under this caption. As soon as it is ready for operation, it is transferred to one of the captions above.

2. Investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of the business

Advanced payments must be distributed among the different elements.

3. Intangible assets, net

3.1. Goodwill, net

Any excess of the cost of an acquisition (business combination) over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction should be described as goodwill and recognised as an asset.

3.2. Development costs, net

They are costs related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

3.3. Software, net

3.4. Patents, trademarks and other rights, net

3.5. Other identifiable intangible assets, net

Administrative concessions, among others, must be included under this heading.

4. Biological assets. Under this item, the following elements are included

Biological assets are living animals or plants such as sheep, trees in a plantation forest, pigs, vines, fruit trees.

Agricultural produce at the point of harvest is the harvested product of the enterprise's biological assets, at the point of harvest, such as wool, logs, carcass, grapes, picked fruit.

5. Investments in related parties: here the below-explained captions must be disclosed:

Investments in subsidiaries, at cost: Include investments in controlled entities that are not consolidated, but valued at cost. Control is presumed to exist when the parent owns directly or indirectly through subsidiaries, more than one half of the voting power

Investments in associates, at cost: An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed to exist if the investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power. This caption only includes those investments in associates that are left outside the consolidation perimeter and that are valued at cost.

Investments in joint ventures, at cost: A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Please only include those joint ventures valued at cost.

Equity method accounted investments, total: These investments can be either investments in associates or investments in joint ventures.

6. Deferred tax assets

If transactions recorded during the current period will give rise to a lower **current** tax liability in a subsequent year, a **deferred** tax asset should be recorded in the year of the transaction. According to IAS 12.70, when the format of presentation of the balance sheet has the assets division between non-current and current assets, assets and liabilities by deferred taxes must be presented as non-current.

7. Other financial assets, non-current: the detail required is based on the type of financial assets held.

7.1. Shares, non-current (including participations)

Participations in investment funds and individual shares, for the purpose of speculation.

7.2. Securities other than shares, non-current

Treasury securities: examples are treasury bonds/certificates, treasury time deposits with a repurchase option (REPOS).

Other securities: commercial paper, among others, must be included under this caption.

7.3. Loans, non-current

7.4. Loans to related parties, non-current

Under this element are included loans to subsidiaries, to associates, to joint ventures and other related parties.

7.5. Remaining financial assets, non current

Examples: swaps, puts, calls,... not designated as hedging instruments.

8. Hedging assets, non-current

Examples: foreign exchange contracts, interest rate swaps

9. Trade and other receivables, net, non-current

Trade receivables, non-current

Finance lease receivables, non-current

Other receivables, non-current: examples are amounts due from customers under construction contracts, receivables from tax authorities (except income taxes), receivables from social security, and receivables from employees.

10. Remaining assets, non-current:

Prepayments, non current: prepaid expenses, such as rent, insurance costs, and costs resulting from a maintenance contract must be included under this heading.

Cash restricted or pledged: example: the amounts deposited as continuous security, among other things at public administrations or government services (customs, excise taxes, telephone, rent, etc.)

Other assets, non current: an example is accrued income.

of which, post-employment benefit surplus:

A surplus is an excess of the fair value of the plan assets over the present value of the defined benefit obligation (IAS 19.58B).

II. ASSETS, CURRENT, TOTAL

11. Non-current assets and disposal groups held for sale

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use (IFRS 5.6). The asset (of a disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be *highly probable* (IFRS 5.7).

12. Inventories

Are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

In case of a service provider, inventories include the costs of a service, for which the entity has not yet recognised the related revenue (IAS 2.8).

Advance payments on account of stock supplies must be included under heading 16. Trade and other receivables, current.

13. Other financial assets, current

The detail required is based on the type of financial assets held.

13.1. Shares, current (*including participations*)

Participations in investment funds and individual shares, for the purpose of speculation.

13.2. Securities other than shares, current

Treasury securities, current: examples are treasury bonds/certificates; treasury time deposits with a repurchase option (REPOS) must be included under this title.

Other securities, current: commercial paper must be included under this caption.

13.3. Loans, current

13.4. Loans to related parties, current

Under this element are included loans to subsidiaries, to associates, to joint ventures and other related parties.

13.5. Remaining financial assets, current

Examples: swaps, puts, calls,... not designated as hedging instruments.

14. Hedging assets, current

Examples are foreign exchange contracts, interest rate swaps

15. Current tax receivables

This caption only includes receivables relating to income taxes.

16. Trade and other receivables, net, current:

16.1. Trade receivables, net, current

of which, trade receivables with related parties (see annex 3 for further information about related parties)

16.2. Finance lease receivables, net, current

These receivables appear in the financial statements of the lessor.

16.3. Other receivables, net, current

Advanced payments on inventories must be included under this caption. Other examples are receivables from VAT tax authorities, receivables from social security, receivables from employees,...

17. Prepayments, current

Prepaid expenses must be included under this heading, such as rent, insurance costs and costs resulting from a maintenance contract.

Suppose a company must pay its rent in advance as per July 1st N for the period July 1st N till June 30th N+1 and suppose the closing date of the financial statements is December 31st. Then the entries relating to the rent are as follows:

July 1st N

Debit: Rental costs	X: 2
Debit: Prepayments, current	X: 2
Credit : Bank account	X

January 1st N+1

Debit: Rental costs	X: 2
Credit: Prepayments, current	X: 2

18. Cash and cash equivalents

Cash includes cash at hand, bank balances and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (IAS 7.6).

19. Remaining assets, current

An example is accrued income.

V. BALANCE SHEET: LIABILITIES AND EQUITY

Preliminary remarks

Dividends proposed or declared after the balance sheet date should not be recognised as a liability at the balance sheet date (IAS 10.12). Such dividends are disclosed in the notes to the financial statements in accordance with IAS 1

(IAS 1.60) A liability should be classified as a current liability when it:

- Is expected to be settled in the normal course of the enterprise's operating cycle; or
- Is due to be settled within twelve months of the balance sheet date.

All other liabilities should be classified as non-current liabilities.

(IAS 1.63) An enterprise should continue to classify its long-term interest bearing liabilities as non-current, even when they are due to be settled within twelve months of the balance sheet date if:

- The original term was for a period of more than twelve months;
- The enterprise intends to refinance the obligation on a long-term basis; and
- That intention is supported by an agreement to refinance, or to reschedule payments, which is completed before the financial statements are authorised for issue.

I. EQUITY, TOTAL

A. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT

A **parent** is an enterprise that has one or more subsidiaries (IAS 27.4)

1. Issued Capital.

The item "issued capital" is divided into two:

1.1. Share capital

It corresponds to the amount of contribution invested by company's shareholders and is represented by issued shares.

of which, unpaid issued share capital

Please refer in this line the outstanding amount of share capital issued but not still paid.

1.2. Share premium

It is the difference (or the bonus) between the offering price and the face value of the share.

2. Reserves.

Amount stemming from non-distributed profits. This item is neither a real obligation nor an eventual liability and is not related to any depreciation of assets. It corresponds to the increase of the company's value and belongs to the shareholders.

Reserves include merger reserves, translation reserves, hedging reserves, available for sale reserves and other reserves. Conversion right linked to the convertible borrowings forms among other things this last item.

3. (-) Treasury shares

Issued shares hold by the company (or the group) itself.

4. Retained earnings (accumulated losses)

This item is divided into two:

- The first item "Profit (loss) of the year" concerns the profit or the loss realised by the company during the year. It should show the same amount as line 18 in income statement.
- The second item "Remaining retained earnings (accumulated losses)" includes all the profits recorded by the company from its setting up, diminished by all the losses possibly realised and excluding dividends and other components that would be retained

B. Subscribed capital

This line asks for those payments made in exchange of shares to be issued in the future by the entity. It comes from the Anglo-Saxon law and it was widely used in the 19th century. Nowadays, it is still used in some former colonies of Great Britain, such a Singapore. However, according to EU Directives, this practice is forbidden within European Union and it does not allow any value on it.

C. Minority interest (in net assets)

(IAS 27.4) Minority interest is that part of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent

Until 2006, the minority interest should not be negative except to the extent that the minority has a binding obligation to make good the losses.

II. LIABILITIES, TOTAL

A. LIABILITIES, NON-CURRENT, TOTAL

6. Interest bearing borrowing, non current

The distinction between the periods (up to one year and more than one year) is requested to classify the amounts in the current or non-current category but in both cases the items are the same, only the maturity date is different.

6.1. Borrowings from financial institutions, non-current:

Bank borrowings: This item concerns the amounts of money lent by a bank to the company.

Finance leases: For the lessee, it corresponds to a lease in accordance with which the lessor transferred to the lessee almost all the advantages and risks included in the property of the rented good.

Bank overdrafts: Bank overdrafts correspond to the treasury facilities consented by a bank to its client, whose current account can be, on agreement, overdrawn during a given period.

6.2 Unsecured debentures, non-current

This component is related with the bonds delivered by the company to investors, generally in the frame of long-term borrowings.

6.3 Convertible borrowings, non-current

Amount of money borrowed by the company that can be converted into shares or sometimes into other bonds according to the investors during a given period.

6.4. Remaining interest-bearing borrowings, non-current

Other borrowings: This item includes all the borrowings which are not included in the categories above as hybrid instruments such as subordinated loan with indefinite life, non-voting shares, etc.

of which, redeemable preference shares, non-current

This item corresponds to shares that the company has the possibility to buy back or write off¹.

7. Non interest bearing borrowings, non-current

This item concerns the different borrowings that bear no interests, principally group borrowings.

8. Deferred income, non-current

of which, government grants

It corresponds to a capital grant (definition IAS 20.3) agreed by the government which will be gradually reported in the profit and loss account (IAS 20.26).

9. Provisions, non current

A provision is (IAS 37.10 & 37.14)

- A present obligation of the enterprise arising from past events,
- The settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits and,
- For which a reliable estimate can be made of the amount of the obligation.

Note that repairs and maintenance expenses are not provided for. Most of the time, there is no legal requirement and there is no present obligation from past events (see IAS 37 example 11).

Main classes of provisions are explained below:

Warranty provisions

Example: An enterprise sells goods with a warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first six months after purchase. Based on past experience, a provision has to be recognized for the best estimate of the costs of repair of the goods, sold during the last six months before the balance sheet date, taking into account the statistical possibility for defects.

Restructuring provisions: a restructuring (IAS 37.10) is a programme that is planned and controlled by management, and materially changes either:

- (a) The scope of a business undertaken by an enterprise; or
- (b) The manner in which that business is conducted.

The following are examples of events that may fall under the definition of restructuring (IAS 37.70):

- (a) Sale or termination of a line of business;
- (b) The closure of business locations in a country or region or the relocation of business activities from one country or region to another;
- (c) Changes in management structure, for example, eliminating a layer of management; and
- (d) Fundamental reorganizations that have a material effect on the nature and focus of the enterprise's operations.

Example: On **12 December Y**, the Board of Directors decided to close down a division in the summer of Y+1. During the next week, a detailed plan was agreed by the Board. Before year-end letters were sent to customers, warning them to seek an alternative source of supply, and redundancy notices were sent to the staff of the division. As per 31 December Y, a provision should be recognised for the best estimate of the costs of closing down the division.

¹ This type of liabilities does not exist in France except in the very specific case of liquidation.

Legal proceedings provisions

Example: A caterer delivers a bunch of oysters for a company party, after which a number of employees die as a result of food poisoning. The catering company is not insured against such professional mistakes. Legal proceedings are started seeking damages from the caterer. At balance sheet date, the lawyers of the catering company advise that it is probable that the company will be found liable. Therefore, the best estimate of the amount to settle the obligation has to be provided for.

Onerous contracts provisions: an onerous contract (IAS 37.10) is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Example: An enterprise operated profitably from a factory that it has leased under an operating lease. During the year the enterprise relocated its operations to a new factory. The lease on the old factory continues for the next four years, it cannot be cancelled and the factory cannot be re-let to another user. A provision is recognized for the best estimate of the unavoidable lease payments.

Environmental provisions

Example: An enterprise in the oil industry causes contamination. National legislation requires the company to clean up the contaminated land, which will result in a significant cost in the future. Therefore, these clean-up costs have to be provided for.

10. Post employment benefit obligation, non-current

This item corresponds to the employee benefits (other than termination benefits) which are payable after the completion of employment. For more explanation, we refer to the defined benefit plan note of the extended format.

11. Other financial liabilities, non-current

12. Hedging liabilities, non-current

Hedging instrument is a designated derivative or a designated non-derivative financial asset or liability (for a hedge of the risk of changes in foreign currency exchange rates only) whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (IAS 39.9).

13. Deferred tax liabilities

Amounts of income taxes payable in future periods in respect of taxable temporary differences. This item is always classified as non-current even if it is supposed to be settled within twelve months of the balance sheet date.

14. Trade and other payables, non-current

This item is divided into two parts for non-current components.

Trade payables, non-current: it corresponds to the amount of money due by the company to its suppliers for the goods or services received.

Other payables, non-current: this item includes all the payables which are not included in the category above

15. Other liabilities, non-current

This item includes all the liabilities which are not included in categories above.

B. LIABILITIES, CURRENT, TOTAL

16. Liabilities included in disposal groups held for sale

IFRS 5.38: The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet.

As the result of discontinued operations, liability must be classified as liability held for sale. This item is current by nature as the disposal should normally occur in the short term.

17. Interest bearing borrowing, current

See point 6 above.

18. Non interest bearing borrowings, current

See point 7 above.

19. Deferred income, current

See point 8 above.

20. Provisions, current

See point 9 above.

21. Post employment benefit obligation, current

See point 10 above.

22. Other financial liabilities, current

23. Hedging liabilities, current

See point 12 above.

24. Current tax payables

Outstanding amounts of income taxes payable at the end of the year.

25. Trade and other payables, current

This item is divided into three parts for current components.

25.1. Trade payables, current

It corresponds to the amount of money due by the company to its suppliers for the goods or services received.

of which, trade payables with related parties (see annex 3 for further information about related parties)

25.2. Advances received

Amount of money paid by the clients or other partners for goods or services to be delivered by the company.

25.3. Remaining payables, current

This item includes all the payables which are not included in the category above.

26. Accrued liabilities, total

27. Other liabilities, current

This item includes all the liabilities which are not included in categories above.

Other disclosures

Interest bearing borrowings with related parties

Interest bearing borrowings maintained with related parties and included under headings 6 and 17 should be included here. For further information about related parties, go to annex 3.

VI. STATEMENT OF CHANGES IN EQUITY (IAS 1.96)

This survey shows the development of the equity from the end of year n-2 (e.g. 2001) above the end of the year n-1 (e.g. 2002) to the end of the year n (e.g. 2003). About the filling in this chart, please note that cells in blue mean that they expect no value to be input, and columns match those lines included in equity in the balance sheet so refer to them for further guidance; while rows are the same in both years. Explanations below refer to both years (N – 1 and N).

For operations regarding equity options, please refer to Annex 4 for further guidance.

I - III. BALANCE, END OF YEAR

1. Prior period adjustments, total:

Change in accounting policy affecting equity: under this element are including changes in the accounting policy of the enterprise which are relevant for the development of the equity capital. E.g. Reduction of the fix-asset valuation with concurrent allocations with the revaluation reserves.
Errors affecting equity

II - IV. RESTATED BALANCE, END OF YEAR

1. Issuance of shares (all kind of issuances)

Issuance of shares from authorized capital or from the expenditure of preference shares.

2. (-) Capital reduction

Reduction of capital (e.g. recalling of shares).

3. Equity increase (decrease) resulting from a business combination

Up and down fluctuations of the equity resulting of a combination with another enterprise.

4. Operations with treasury shares:

Sale (purchase) of treasury shares
(-) Cancellation of treasury shares
Transfer of treasury shares in (out)

5. Conversion of debt to equity

Conversion of debenture capital to equity.

6. Remaining movements in equity not related to income or expenses:

(-) Reclassification of financial instruments from equity to liability
Reclassification of financial instruments from liability to equity
Other increase (decrease)

7. (-) Dividends

The part of the profit which is provided for the owners.

8. Total recognised income and expense for the period

8.1. Profit (loss) (before minority interest) (line 16 of income statement)

The part of the profit or loss which is provided for the allocation with the reserves.

8.2. Net gains (losses) not recognized in income statement

The part of the profit or loss which is allocated directly with the reserves

8.2.1. Surplus (deficit) on revaluation of assets: Changes in the revaluation reserves

8.2.2. Foreign currency translation effect: Changes in the items of the asset-side and the liabilities because of currency adjustments. The amount of the currency adjustments are directly allocated with the reserves.

8.2.3. Remaining income (expense) recognized directly in equity

Realisation of cash flow hedges removed from equity

Transfer from share premium: The share premium from an increase in the share capital which is provided for a allocation with the reserves.

Deferred tax adjustment

Released to retained earnings: Release of profits from past financial years. Refer to IAS 12.64 for further information.

Reclassification of assets: Additions or disposals in equity because of the reclassification of assets

(-) *Cash flow hedge gains (losses) transferred to income:* Gains or losses from financial instruments

(-) *Cash flow hedge gains (losses) transferred to inventory:* Gains or losses from financial instruments

(-) *Cash flow hedge gains (losses) transferred to property, plant and equipment:* Gains or losses from financial instruments

(-) *Cash-flow hedge gains (losses) transferred to non financial assets*

(-) *Cash-flow hedge gains (losses) transferred to non financial liabilities*

(-) *Available for sale reserve transferred to income:* Part of the „Available for sale reserves“ which were laid off, because of selling stocks or shares which were rating in “available for sale“.

Cash flow hedged gains (losses)

Other income (expense) recognised directly in equity

III - V. BALANCE, END OF YEAR

VII. CASH-FLOW STATEMENT

The statement of changes in the financial position of an entity sets out all the incoming and outgoing cash flows during the financial year, broken down by origin: cash flows from operating, investing or financing activities. This provides a summary of the cash resources available during the period and how those resources have been used. The cash flow statement gives an indication of the ability of the reporting entity to generate cash flows, and provides additional information facilitating more accurate assessment of liquidity, solvency and the results achieved.

Cash flows from operating activities can be recorded by the direct or the indirect method. The direct method adds up the major types of cash receipts and payments: cash receipts from customers, payments to suppliers, payments to employees, etc. The indirect method is based on the net profit or loss and eliminates the effects of:

- non-cash transactions such as impairment losses, depreciation, additions to provisions, reversals of provisions, etc;
- the attribution to a particular period of revenues and expenses which have no cash implication in the reporting period (e.g. outstanding amounts due from customers and amounts payable to suppliers);
- revenues and expenses connected with cash flows from investing and financing activities.

I. CASH AND CASH EQUIVALENTS, BEGINNING BALANCE

This field shows the amount of the cash and/or cash equivalents at the beginning of the balance year. It is the amount that was identified in the previous year as "VII. Cash and cash equivalents, ending balance".

A. CASH FLOW STATEMENT: DIRECT METHOD

II. NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

1. Cash flows from (used in) operations

Under the direct method information about major classes of gross cash receipts and cross cash payments have to be obtained. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss (IAS 7.14).

Remark - cash receipts on government grants: only includes income and interest grants. Capital grants are to be recorded as cash flows from investing activities.

2. Cash-flows from (used in) other operating activities, total.

Refer to Cash Flow Statement - Indirect Method, heading B.

B. CASH FLOW STATEMENT: INDIRECT METHOD

II. NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Under the indirect method, net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows (IAS 7.18 b).

A. CASH FLOWS FROM (USED IN) OPERATIONS

A1. Cash flows before changes in working capital

It includes the following headlines.

Profit and loss from operations: Non cash-items are to be disclosed such as: net profit (loss) transferred to equity, minority interest, interest expense, income tax expense (income), or other items that have an effect on profit or loss.

Non cash- adjustments, cash flow operating activities: Non-cash items that are adjusted for the effects of respective transactions, any deferrals or accruals of past or future operating cash receipts or payments.

A2. Increase (decrease) in working capital

A positive amount means that a profit recorded in the income statement has to be reversed, since no cash inflow occurred. A negative amount means that a cost recorded in the income statement has to be reversed, since no cash outflow occurred.

Example: suppose trade payables have increased, which means that the related suppliers have not been paid at balance sheet date. However, the cost is included in the profit or loss from operations (line A1.1). Since it does not represent a cash outflow, the amount should be reversed. It appears here with a negative sign instead of a positive one, since line A equals A1 minus A2.

B. Cash-flows from (used in) other operating activities, total.

Financing and taxation flows: Cash flows from interests received and paid and dividends received and paid should each be classified in a consistent manner from period to period either as operating, investing or financing activities.

Dividends received classified as operating: Dividends received are usually classified as operating cash flows for a financial institution. In industrial companies, they may be classified as operating cash flows because they enter into the determination of net profit or loss (IAS 7.33).

Dividends paid classified as operating: Dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows (IAS 7.34).

Interest received classified as operating: Interest received is usually classified as operating cash flow for a financial institution. In industrial companies, it may be classified as operating cash flow because it enters into the determination of net profit or loss (IAS 7.33).

Interest paid classified as operating: Interest received is usually classified as operating cash flow for a financial institution. In industrial companies, it may be classified as operating cash flow because it enters into the determination of net profit or loss (IAS 7.33).

Income tax (paid) refunded: Cash flows arising from taxes on income should be classified as cash flows from operating activities unless they can be specially identified with financing and investing activities.

Other cash flows from (used in) operating activities: Here all information/items are obtained that were not mentioned above

C. CASH FLOW STATEMENT: COMMON PART

III. NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES

1. (-) Acquisitions, cash flow investing activities

The separate disclosure of cash flows arising from acquisitions is important, because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

2. Disposals, cash flow investing activities

Sale of assets may give rise to a gain or loss which is included in the determination of net profit or loss (IAS 7.14). This line does not include this gain or loss. It includes the entire amount for which the asset has been sold (selling price).

3. Proceeds from dividends received classified as investing

Cash flows from dividends received should be disclosed separately, in a consistent manner from period to period, either as operating or investing activities. Since they represent returns on investment, an enterprise may classify dividends received as cash flows from investing activities.

4. Remaining cash-flows from (used in) investing activities

Proceeds from interest received classified as investing: Cash flows from interest received should be disclosed, in a consistent manner from period to period, either as operating or investing activities. Since they represent returns on investment, an entity may classify interests received as cash flows from investing activities.

(-) Payments made for cash advances and loans made: Cash advance and loans made to other parties (other than advances and loans made by a financial institution) (IAS 7.16 e).

Repayment of cash advances and loans: Other parties paying back the cash advances and loans made to them. The repayment amount does not include any interest. The interest is classified either under II.2 (II.B) or under III.4.

Proceeds from government grants received: This line only includes capital grants as these grants support an investment made. Income and interest grants are recorded as cash flows from operating activities.

Other cash flows from (used in) investing activities: Here all information/items relating to cash flows from/used in investing activities are obtained that were not mentioned above.

IV. NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

1. Proceeds from cash flow from financing activities

Amounts for financing business received from:

- stockholders (that is, equity)
- third parties such as financial institutions, excluding related parties (that is, debt)

2. (-) Repayments, cash flow from financing activities

Cash repayments of amounts that were used for financing business. The repayment amount does not include any interest. The interest is classified either under II.2 (II.B) or under IV.4.

3. (-) Payments of dividends classified as financing

Cash flows from dividends paid should be disclosed separately, in a consistent manner from period to period, either as operating or financing activities. Since they represent costs of obtaining financial resources, an entity may classify dividends paid as cash flows from financing activities.

4. Remaining cash-flows from (used in) financing activities

(-) Payments of interest paid classified as financing: Cash flows from interest paid should be disclosed, in a consistent manner from period to period, either as operating or financing activities. Since they represent costs of obtaining financial resources, an entity may classify interests paid as cash flows from financing activities.

Proceeds from cash advances from related parties: Cash inflow coming from related parties (other than advances made by a financial institution).

(-) Repayment of cash advances from related parties: Return compensation of cash advances that were received (before) from related parties. The repayment amount does not include any interest. The interest is classified either under II.2 (II.B) or under IV.4.

Bank overdrafts increased (decreased): An increase of this item represents amounts received by using the credit facility on a bank account. On the other hand, a decrease involves the repayment of amounts previously received by using the credit facility on a bank account.

Other cash flows from (used in) financing activities: Here all information/items relating to cash flows from/used in financing activities are obtained that were not mentioned above.

V. NET INCREASE IN CASH AND CASH EQUIVALENTS

This line is to be obtained as the addition of the main lines II. (Net cash flows from (used in) operating activities), III. (Net cash flows from (used in) investing activities) and IV. (Net cash flows from (used in) financing activities).

VI. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

In order to reconcile cash and cash equivalents at the beginning and at the end of the period, the effect of exchange rate changes, on cash and cash equivalents held or due in a foreign currency, is reported here.

VII. EFFECTS OF CHANGES IN SCOPE OF CONSOLIDATION ON CASH AND CASH EQUIVALENTS

In order to reconcile cash and cash equivalents at the beginning and at the end of the period, the effect of changes in the scope of consolidation on cash and cash equivalents is reported here.

Example: a subsidiary is bought in period 01 but not consolidated because it is not material. In period 02 the subsidiary is growing fast and consolidation is necessary. The presentation in the cash flow statement would be as followed:

The price the company paid is shown in cash flow from investing operations in period 01. However, the balance of cash of the subsidiary is not included in period 01 as it is not

consolidated. In period 02 it is consolidated for the first time and its cash cannot be presented in the beginning figure of cash and cash equivalents for period 01. Therefore this change must be accounted in this item.

A similar issue would be if a subsidiary is not part any more in the consolidated group but it is not sold.

VIII. CASH AND CASH EQUIVALENTS, ENDING BALANCE.

This field shows the amount of the cash and/or cash equivalents at the end of the balance year. It consists of the "Cash and cash equivalents, beginning balance" plus "Net Increase in cash and cash equivalents" plus the "Effects of the exchange rate changes on cash and cash equivalents" and "Effect of changes in scope of consolidation on cash and cash equivalents" (lines I., V., VI and VII.) It is the amount that will be identified in the following year as "I. Cash and cash equivalents, beginning balance".

VIII. NON-CURRENT ASSETS AND PROVISIONS' NOTE

Please note that impossible combinations between rows and columns are coloured in blue. Concepts included in the columns are those from the assets side of the balance sheet. For further reference, please refer to the chapter of balance sheet in this document. Some additional explanations about rows are to be found below.

I. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

Note that all the movements are referred to carrying amounts, that is to say, the net amount of the gross carrying values less accumulated depreciation and accumulated impairment losses.

1. Property, plant and equipment, beginning balance of the period

The beginning balance of the period must equal the ending balance of the previous period.

1.1. Gross amount

In case the enterprise chose to use the allowed alternative valuation method, the gross amount equals the revalued amount.

1.2. (-) Accumulated depreciation

According to IAS 16.55 only items of property, plant and equipment that are available for use are subject to depreciation. By definition, construction in progress is not ready for use and therefore it cannot be depreciated.

1.3. (-) Accumulated impairment losses

2. Additions

Investment, acquisitions to third parties or gross investments of the accounting period. Please do not include a net amount of investments, that is to say, purchases minus sales. Increases (decreases) due to change in group of consolidated companies, acquisitions through business combinations, capitalised borrowing costs and increases due to revaluations are not considered as investments of the period.

3. Acquisitions through business combinations

Increases due to business transactions such as mergers, absorptions, etc.

4. (-) Disposals

Carrying amount reversed due to sales.

5. (-) Depreciation expense

Amount of depreciation charged to the income statement during the period. Please mention the net amount, which is depreciation expense minus reversed depreciation.

8. Revaluation increase (decrease)

Revaluation increase (decrease) recognised in equity

Revaluation increase (decrease) recognised in income: Increases (decreases) of the period as a result of the revaluations accounted for. These lines can only be used in case the enterprise chooses the Revaluation Model for valuation. Refer to the exact line or lines of the income statement of the current format in which the revaluation increases or decreases are included.

9. Impairment loss (reversal) recognised

(-) *Impairment loss recognised in income*: Refer to the exact line or lines of the income statement where they are included.

Impairment reversal recognised in income: Refer to the exact line or lines of the income statement where they are included.

(-) *Impairment loss recognised in equity*

Impairment reversal recognised in equity

10. Remaining movements in property, plant and equipment

(-) *Transfers to non-current assets and disposal groups held for sale*

(-) *Disposals through business divestiture*: Decreases due to business transactions such as scissions, sale of a business unit, sale of an entire subsidiary, etc.

(-) *Retirements*: carrying amount reversed due to write-off of the element.

Foreign currency exchange increase (decrease): Net exchange differences arisen as a result of the translation of financial statements of a non-resident entity.

Reclassifications to or from other items: Please explain to or from investment property, reclassifications within subdivisions and so on.

Change in group of consolidated companies (except line 3): Increases (decreases) in the carrying amount due to changes in the consolidation perimeter.

Other increase (decrease)

14. Property, plant and equipment, ending balance

It must be equal to item 1 of the balance sheet.

14.1. Gross amount

In case the enterprise chose to use the allowed alternative valuation method, the gross amount equals the revalued amount.

14.2. (-) Accumulated depreciation

14.3. (-) Accumulated impairment losses

II. MOVEMENTS IN INVESTMENT PROPERTY

1. Investment property, beginning balance

The beginning balance of the period must equal the ending balance of the previous period.

1.1. Gross amount

1.2. (-) Accumulated depreciation

1.3. (-) Accumulated impairment losses

2. Additions

Investments, acquisitions to third parties or gross investments of the accounting period. Please do not include a net amount of investments, that is to say, purchases minus sales. Increases (decreases) due to change in group of consolidated companies, acquisitions through business combinations, capitalised borrowing costs and increases due to changes in fair value are not considered as investments of the period.

3. Acquisitions through business combinations

Increases due to business transactions such as mergers, absorptions, etc.

4. (-) Disposals

Carrying amount reversed due to sales.

5. (-) Depreciation expense

Amount of depreciation charged to the income statement during the period. This line should only be filled in when using the cost model in accounting investment property. Please mention the net amount, which is depreciation expense minus reversed depreciation.

6. Gain (loss) from fair value adjustments

This line should only be filled in when using the fair value model.

9. (-) Impairment loss (reversal) recognised

(-) Impairment loss recognised in income
Impairment reversal recognised in income

11. Remaining movements in investment property.

Capitalised subsequent expenditure

(-) Transfers to inventories: Transfers made when there is a change in use, evidenced by commencement of development with a view to sale

Transfers from inventories: Transfers made when there is a change in use, evidenced by commencement of an operating lease to another party

(-) Transfers to owner-occupied property: Transfers made when there is a change in use, evidenced by commencement of owner-occupation

Transfers from owner-occupied property: Transfers made when there is a change in use, evidenced by end of owner-occupation or end of construction or development

(-) Disposals through business divestitures

(-) Retirements

Foreign currency exchange increases (decreases)

Changes in group of consolidated companies

Transfers to assets and disposal groups held for sale

Other increase (decrease)

14. Investment property, beginning balance

It must be equal to item 2 of balance sheet.

14.1. Gross amount

14.2. (-) Accumulated depreciation

14.3. (-) Accumulated impairment losses

III. MOVEMENTS IN INTANGIBLE ASSETS

IAS 38.107 requires for this type of assets also a reconciliation of the carrying amount at the beginning and at the end of the period, for each category of intangible assets. The information related to goodwill is integrated in this note.

Note that all the movements are referred to carrying amounts, that is to say, the net amount of the gross carrying values less accumulated depreciation and accumulated impairment losses.

1. Intangible assets, beginning balance

The beginning balance of the period must equal the ending balance of the previous period.

1.1. Gross amount

1.2. (-) Accumulated depreciation

1.3. (-) Accumulated impairment losses

2. Additions

It contains also: *Additions from internal development*

3. Acquisitions through business combinations

Increases due to business transactions such as mergers, absorptions, etc.

4. (-) Disposals

Carrying amount reversed due to sales.

5. (-) Amortization expense

Amount of amortization charged to the income statement during the period. Please mention the net amount, which is amortization expense minus reversed amortization. Amortization of goodwill is not allowed according to IFRS 3.

8. Revaluation increase (decrease)

Revaluation increase (decrease) recognised in equity

Revaluation increase (decrease) recognised in income: Increases (decreases) of the period as a result of the revaluations accounted for. These lines can only be used in case the enterprise chooses the revaluation model for valuation. Refer to the exact line or lines of the income statement of the current format in which the revaluation increases or decreases are included.

9. (-) Impairment loss (reversal) recognised

Reversal of impairment losses of goodwill is not allowed according IFRS 3.

(-) Impairment loss recognised in income

Impairment reversal recognised in income

(-) Impairment loss recognised in equity

Impairment reversal recognised in equity

12. Remaining movements in intangible assets

Goodwill derecognised on disposal of business

(-) Transfers to non-current assets and disposal groups held for sale

(-) Disposals through business divestitures

(-) Retirements

Adjustments from subsequent recognition of deferred tax assets: adjustments in the case of goodwill.

Foreign currency exchange increase (decrease)

Change in group of consolidated companies

Other increase (decrease): reclassifications to or from other items, except transfers to assets held for sale, are examples. Please explain, to or from which element. Reclassifications within intangible assets subdivisions are not included.

14. Intangible assets, beginning balance

It must be equal to item 3 of balance sheet for intangible assets, item 3.1. for goodwill and item 3.4 for patents, trade marks and other rights.

14.1. Gross amount

14.2. (-) Accumulated depreciation

14.3. (-) Accumulated impairment losses

IV. MOVEMENTS IN BIOLOGICAL ASSETS

As required by IAS 41, those biological assets which fair value can not be measured reliably must be carried at cost. Please, keep in mind that the benchmark valuation is at fair value (IAS 41.12) and valuation at cost is only a residual option.

1. Biological assets, beginning balance

The beginning balance of the period must equal the ending balance of the previous period.

1.1. Gross amount

1.2. (-) Accumulated depreciation

1.3. (-) Accumulated impairment losses

2. Additions

It should contain, among others:

Additions through purchase: investments, acquisitions to third parties or gross investments of the accounting period. Please do not include a net amount of investments, that is to say, purchases minus sales. Increases (decreases) due to change in group of consolidated companies, acquisitions through business combinations, are not considered as investments of the period.

3. Acquisitions through business combinations

Increases due to business transactions such as mergers, absorptions, etc.

5. (-) Depreciation expense

Amount of depreciation charged to the income statement during the period. Please mention the net amount, which is depreciation expense minus reversed depreciation.

7. Gain (loss) arising from changes in fair value less estimated point of sale costs

9. (-) Impairment loss (reversal) recognised

(-) Impairment loss recognised in income

Impairment reversal recognised in income

13. Remaining movements in biological assets

(-) Decreases through sales

(-) Decreases through business divestitures

(-) Decreases due to harvest

Foreign currency exchange increase (decrease)

Change in group of consolidated companies

Other increase (decrease)

14. Biological assets, beginning balance

It must be equal to item 4 of balance sheet.

14.1. Gross amount

14.2. (-) Accumulated depreciation

14.3. (-) Accumulated impairment losses

V. MOVEMENTS IN NON-CURRENT FINANCIAL ASSETS

Please note that investments in subsidiaries, investments in associates and investments in joint ventures are accounted for in balance sheet included in heading 5. Investments in related parties.

1. Financial assets, beginning balance

The beginning balance of the period must equal the ending balance of the previous period.

1.1. Gross amount

1.2. (-) Accumulated impairment losses

2. Additions (investments)

Acquisitions to third parties or gross investments of the accounting period. Please do not include a net amount of investments, that is to say, purchases minus sales. Increases (decreases) due to change in group of consolidated companies, acquisitions through business combinations, and increases due to changes in fair value are not considered as investments of the period.

3. Acquisitions through business combinations

Increases due to business transactions such as mergers, absorptions, etc.

4. (-) Disposals

Carrying amount reversed due to sales.

5. Increases (decreases) from fair value adjustments

6. (-) Impairment (loss) reversal

7. Foreign currency exchange increase (decrease)

8. Remaining movements in non-current financial assets

Goodwill in associates transferred to goodwill

Share of ordinary profit (loss)

Dividends received

Change in group of consolidated companies

Reclassifications to or from other items: if significant, please, explain to or from non-current, current financial assets, or other elements.

Other increase (decrease)

9. Financial assets, beginning balance

It must be equal to items 5 and 7 of balance sheet.

9.1. Gross amount

9.2. (-) Accumulated impairment losses

VI. MOVEMENTS IN PROVISIONS

Include both current and non-current

1. Provisions, beginning balance

The beginning balance of the period must equal the ending balance of the previous period.

2. Increase (decrease) to provisions

Additional provisions: new provisions recognised should be recorded here.

Increase (decrease) to existing provisions: provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate (IAS 37.59).

3. Acquisition through business combination

Addition to provisions as a result of the group uniting with or obtaining control over the net assets and operations of a separate enterprise.

4. (-) Provisions used

Expenditures that relate to the original provision are set against it.

5. (-) Unused provisions reversed

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision should be reversed (IAS 37.59).

6. Remaining movements in provisions

Increase from time value of money adjustment: where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time (IAS 37.60).

Increase (decrease) from change in the discount rate

Disposals through business divestiture: diminution of provisions as a result of the group splitting off or losing control over the net assets and operations of an enterprise formerly included in the group.

Foreign currency exchange increase (decrease): net exchange differences arisen as a result of the translation of financial statements of a non-resident entity.

Changes in the consolidated group: variation to provisions due to changes in the consolidation perimeter, except acquisitions through business combinations and disposals through business divestiture.

Other increase (decrease)

7. Provisions, ending balance

It must be equal to items 9 and 20 of liabilities' side of balance sheet.

IX. ANNEX 1. LEGAL FORM OF COMPANIES

Austria and Germany

Capital oriented companies

Public limited company (“Aktiengesellschaft”): capital is divided into shares, which are basically freely transferable.

Private limited company (“Gesellschaft mit beschränkter Haftung”): the transfer of shares resp. participations is restricted i.e. has to be decided at the general meeting. Many private limited companies are family businesses run as companies to secure the benefits of limited liabilities

Personal oriented companies

General partnerships (“Offene Handelsgesellschaft”): an association of two or more persons who, as co-owners, carry on business. Each partner (only natural persons) has unlimited liability

Limited partnerships (“Kommanditgesellschaften”): it is also an association of two or more persons but there are two types of partner. “General partners” with unlimited liabilities and “limited partners”, whose liability is limited to the amount of their agreed capital contribution.

“*Erwerbsgesellschaft*“: enterprise that is set up for the purpose of a common purchase or the common use and administration of assets; two types: limited and unlimited (similar to the above mentioned partnerships)

Hybrid model

“*GmbH & Co. KG*“: there are two types of partners/owners – natural persons with limited liability (Kommanditisten) and a partner with unlimited liability. The last one is a private limited company and thus the liability is again limited

Other legal forms

Cooperatives (“Genossenschaften”)

Registered associations (“eingetragene Vereine”)

Foundation (“Stiftung”)

BELGIUM

	Name	Characteristics
Capital oriented company		
issuing shares	Limited company (LTD)	Minimum two associates. The capital (min 61.500 €) is divided into shares (quoted or unquoted). Share's transfer possible.
issuing participations	Private company with limited liability (PLC)	Minimum two associates with risk limited to the capital. Capital (min 18.550 €) divided into shares. Share's transfer possible but under strict conditions.
	One-person private company with limited liability (OPLC)	One person with risk limited to the capital. Capital (min 18.550 €) divided into shares. Share's transfer possible but under strict conditions.
Personal oriented company		
	UCPjsL, participative cooperative partnership (UCPjsL, PC)	
	Limited cooperative partnership (LCP)	Minimum 3 associates with risk limited to the capital. Capital (min 18.550 €).
	LCP, participative cooperative partnership (LCP, PC)	
	Co-operative partnership (old status) (CP)	Minimum 3 associates with risk unlimited. Capital without minimum
	Unlimited cooperative partnership with joint and several liabilities (UCPjsL)	Minimum 3 associates with risk unlimited. Capital without minimum
	General partnership (GP)	The partners (min 2) have unlimited responsibility for the debt of the partnership.
	Limited partnership	Partnerships in which some partners have only limited liability.
	Partnership limited by shares (PLS)	
	Agricultural partnership (AP)	Partnerships in which some partners have only limited liability. The main characteristic is the activity (production and processing of agricultural products).
Others		
	Professional association	
	Mutual insurance association	
	International scientific organisation	
	Other private law bodies corporate	
	Economic interest group (EIG) with head office in Belgium	The aim is the development of the activity of the members (physical or moral persons). The members are responsible for the debt of the group.
	European economic interest group (EEIG) with head office in Belgium	

FRANCE

The legal types of companies in France are the following:

1. Capital oriented companies

1.1. Issuing shares

- **Société anonyme (SA)**: minimum seven associates; minimum capital of 225.000 EUR (if public issue) or 37.000 EUR (if not public issue).
- **Société par actions simplifiée (SAS)**: minimum two associates that are necessarily companies with a capital of a minimum of 225.000 EUR; minimum capital of 37.000 EUR.
- **Société en commandite par actions (SCA)**: minimum one person with unlimited risk and three associates with risk limited to the capital; minimum capital of 225.000 EUR (if public issue) or 37.000 EUR (if no public issue).

1.2. Issuing participations

- **Société à responsabilité limitée (SARL)**: minimum two associates and maximum **fifty** associates; minimum capital of 1 EUR.
- **Entreprise unipersonnelle à responsabilité limitée (EURL)**: maximum one associate; minimum capital of 1 EUR.

2. Personal oriented companies

- **Société en nom collectif (SNC)**: minimum **two** associates that have an unlimited risk; no minimum capital.
- **Société en commandite simple (SCS)**: minimum one person with unlimited risk and one associate with risk limited to the capital; no minimum capital.

ITALY

The legal type of Italian companies is the following:

1. Capital oriented companies (almost 700.000 firms, of which more than 450.000 active).

1.a Issuing shares

- *Limited liability company (società per azioni)*: the capital is divided into shares; the risk is limited to the capital; the minimum capital is 100.000 euro (120.000 euro for the companies established up 2004).
- *Limited partnership (società in accomandita per azioni)*: the capital is divided into shares; minimum one person with unlimited risk, the others with risk limited to the capital.

1.b issuing participations

- *Limited liability company (società a responsabilità limitata)*: the capital is divided into participations; the minimum capital is 10.000 euro.

2. Personal oriented companies (almost 4.500.000 firms)

- *General Partnership* (società in nome collettivo): the partners have unlimited responsibility for the debt of the companies; the name of the firm should include at least one name of the associate.
- *Unlimited partnership* (società in accomandita semplice): the capital is divided into participations; minimum one person with unlimited risk, the others with risk limited to the capital.
- *Simple company*: only for non business companies
- *Company de-facto* (società di fatto):
- *Individual company* (impresa individuale).

3. Cooperative & Consortium (more than 35.000)

3.a Cooperative

- *Unlimited liability cooperative* (cooperativa a responsabil. Illimitata): the capital is divided into shares; the partners have unlimited risk in case of default.
- *Limited liability cooperative* (cooperativa a responsabilita' limitata): the capital is divided into participations; the risk of the partners is limited to the capital.

3.b Consortium

- *Unlimited liability consortium* (societa' consortile per azioni): the capital is divided into shares;
- *Consortium* (societa' consortile): the capital is divided into shares;
- *Limited liability consortium* (societa' consortile a resp. limitata): the capital is divided into participations.

4. Others (more than 150.000)

- Joint-venture
- Government Bodies: it includes the economic and non economic bodies and the local administrations
- Italian branch of foreign company
- Bank
- Insurance

PORTUGAL

In Portugal's questionnaire the company is asked to classify its legal form under the following alternatives:

- Public enterprise, meaning that it is owned by the government.
- Joint stock company, a capital oriented share issuing limited liability company, whose capital can be split up into shares.
- Joint quota company, a personal oriented limited liability company, whose capital can be split up into quotas.
- Collective society, a personal oriented unlimited liability collectively owned company.
- Cooperative, a personal oriented limited liability collectively owned "company", whose purpose is not profit but the satisfaction of the needs of its members.

- Entrepreneur, a personal oriented unlimited liability one-man "company".
- E.I.R.L., a personal oriented limited liability one-man "company", except in the case of bankruptcy, in which, under certain circumstances, liability can be unlimited.
- Other legal forms.

SPAIN

In Spain there are the following non-financial types:

1. Capital oriented limited

1.1. Issuing shares (public limited companies)

- Ordinary (Sociedad Anónima - SA)
- Employee-owned (Sociedad Anónima Laboral - SAL)
- Sports (Sociedad Anónima Deportiva - SAD)

1.2. Issuing participations

- Private limited companies – small companies (Sociedad Limitada-SL)
- Private limited companies – very small and recently incorporated (Sociedad Limitada Nueva Empresa - SLNE)

2. Personal oriented limited

- Limited partnerships (Sociedades Comanditarias - SCom)

3. Others

- General partnerships (Sociedades Colectivas - SCol)
- Cooperatives (Cooperativas)
- Farming partnerships (Sociedades Agrarias de Transformación - SAT)
- Jointly-held property (Comunidades de Bienes)

X. ANNEX 2. EMPLOYMENT

1. Definitions

1.1. Target population

Staff definition:

Staff has to be taken into account in the employment board if

- the worker has a contract of employment or a training contract directly with the company (and not through an interim company) and he is registered in a official document completed for the social security, and
- the worker is salaried (not self-employed persons)

The registration of some specific categories of workers depends on the national legislations summarized in the following table.

Category	Austria	Belgium	France ^(a)	Germany ^(a)	Italy ^(a)	Portugal	Spain
Fixed paid worker	X	X	X	X	X	X	X
Self employed person		–	–			--	–
Temporary employment agency	–	–	– ⁵	–	–	–	–
Home worker	X	X	X	X	X	X	X
Students, apprentices	X	X	–	–	X	X	– ¹
On strike	X	X	X	X	X	X	X
Maternity leave, sickness	X	X	X	X	X	X	X
Career interruption	--	X	–	?	?	–	–
Early retirement	--	–	–	?	?	–	–
Workers of abroad branches	X	X ³	X	?	?	X ³	X ³
Temporary assignment	--	– ⁴	–	?	?	X ⁴	–
Workers of state-owned companies	--	X	–	?	?	?	X
Civil servants	--	–	–	?	?	–	–

(a): based on "BACH" table on employment.

Explanations

- 1 (Spain): Grantees or scholarships are not included as employees in Spain. They collaborate and make practices at the same time they are studying. The maximum time possible of the scholarship is half of an university yearly period (about 4 and a half months). In fact, they contribute to the company as a third party, rendering a service, because the company does not contribute to the Social Security for them. The company pays directly to the School or University and not to the students, as a result of an agreement between parties.
- 2 (Portugal): Sick leave of more than one month is excluded (except maternity).
- 3 (Belgium), (Portugal), (Spain): Workers of abroad branches (different from subsidiaries) are considered employees of the company, although for National Accountancy purposes, it is necessary to know the amount of employees and salaries paid, because they must be treated as non-residents.
- 4 (Belgium): On the employment board of the company with which they have the contract.
 (Portugal): On the employment board of the company where they temporary work.

5 (France): The accounting authorities recommend for individual accounts the calculation of two kinds of average number of employees : the number of employees that have a work's contract with the company and the number of employees that have worked for the company during the year (including the workers that have a contract with an interim company). For the consolidated accounts, the rules to determine the employment have not been specified. In the board we have presented the calculation of the number of employees that have a work' s contract with the company .

1.2. Work schedule

Full time (unit): number of employees who perform the normal work schedule applied by the company (e.g. 40 hours a week = 100%)

Part time (unit): number of employees who perform, on average, only a part of the normal work schedule

An apprentice is considered as part time taking into account the time spent on training sessions needed for his schooling.

Total in FTE: sum of all employees whereby

- Full time employed workers count for 1
- A part time employed worker counts for the number of hours performed by the part time worker divided by the number of hours normally performed by a full time worker

Examples:

- *An employee works 8 hours a day, but only for 3 days a week => part time at 60% (expressed in full time equivalents = 0,6)*
- *An employee is hired on July 1st and working at 50%. At the end of the accounting year, the number expressed in FTE for this employee = 0,5 and the average in FTE = $0,5 \times 6/12 = 0,25$*

XI. ANNEX 3. RELATED PARTIES

IAS 24 regulates the “disclosure of related party transactions and outstanding balances in the separate financial statements of a parent, venturer or investor” (§3).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Paragraph 9 defines, “a party is related to an entity if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) Has an interest in the entity that gives it significant influence over the entity; or
 - (iii) Has joint control over the entity;
- (b) The party is an associate (as defined in IAS 28 Investments in Associates) of the entity;
- (c) The party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);
- (d) The party is a member of the key management personnel of the entity or its parent;
- (e) The party is a close member of the family of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity”.

XII. ANNEX 4. INFORMATION ON EQUITY OPTIONS

IFRS rules explain accurately how to value the options but are less assertive about in which accounts to register it. Companies give it divergent treatments in their accounts. This annex aims to summarize some contributions made on this topic.

1. Issuance of bonds with warrants²

Borrowings	Other reserves	Bank deposits
X	Y	Z

Two alternatives for the valuation criteria under IFRS rules:

Alternative A

X = current value of the future cash-flows associated with the loan and interests, brought forward at an interest rate associated with a similar instrument that does not have an equity component associated

Z = cash received on account of the issue

Y = Z - X

Alternative B

Y = value of the equity component determined by an appropriate evaluation method, e.g. Black-Scholes

Z = cash received on account of the issue

X = Z - Y

2. Exercise (redemption) of the warrants

Share capital	Share premium	Other reserves	Bank deposits
V	P	S	T

V = nominal value of the stocks issued

S = value of the warrants that were exercised (S=Y, if all warrants are exercised)

T = price of exercise of the warrant (at which the stocks are sold)

P = price of exercise of the warrant (T) - nominal value of the stocks issued (V) + value of the warrants that were exercised (S)

Thus, when the option is exercised, the reserve is cancelled and restated as share premium of the new share issue.

After the work with real examples, it was observed that companies chose different methods to account for this kind of operations. Therefore, for similar situations companies followed different interpretations and presentations and it is up to the WG to interpret the information divulged (if any) and to insure, to the extent possible, that similar situations are treated similarly in the format (fundamental for trust-worthy databases). The inability to do this, due to lack of information or to

² from RODRIGUES, Lúcia, "Tratamento contabilístico das obrigações com warrants: modelo actual e novos desenvolvimentos" in *Revisores & Empresas*, Revista da Câmara dos Revisores Oficiais de Contas, Jul/Set 99. Lúcia Rodrigues is a college professor of accounting and a researcher in the filed, with a long list of publications.

different interpretations done by different members of the WG, is a new and important source of error we should be aware of and alert the members of the Committee to.

In conclusion, to analyse similar operations, a manual approach must be taken and financial statements should be read one by one. For a given caption, it is impossible to know its content. This is quite a general problem with IFRS rules that Continental European accounting is much less permeable to.

Document Management

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Spain					