

Dr. Alexander Schaub  
Director General  
European Commission  
Directorate General for the Internal Market

1049 Brussels

10 October 2005

Dear Dr. Schaub,

**Adoption of the Amendment to IAS 1 *Presentation of Financial Statements - Capital Disclosures***

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards we are pleased to provide our opinion on the adoption of **the Amendment to IAS 1 *Presentation of Financial Statements - Capital Disclosures***, as published by the IASB on 18 August 2005.

The objective of the Amendment to IAS 1 is to require entities to provide disclosures in their financial statements that enable users to evaluate the entity's objectives, policies and processes for managing capital.

The Amendment to IAS 1 is effective for annual periods beginning on or after 1 January 2007. Earlier application is encouraged.

EFRAG supports the above objective and considers that the Amendment to IAS 1 achieves it satisfactorily.

EFRAG has evaluated the Amendment to IAS 1 based on input from standard setters and market participants in accordance with EFRAG's due process. EFRAG supports the issuance of the Amendment to IAS 1 and has concluded that it meets the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards that:

- i. it is not contrary to the 'true and fair principle' set out in Article 16(3) of Council Directive 83/349/EEC and Article 2(3) of Council Directive 78/660/EEC; and

- ii. it meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

For the reasons given above, EFRAG believes that it is in the European interest to adopt the Amendment to IAS 1 *Presentation of Financial Statements - Capital Disclosures*, and, accordingly, EFRAG recommends its adoption.

On behalf of the members of EFRAG, I should be happy to discuss our advice with you, other officials of the EU Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Stig Enevoldsen  
**EFRAG, Chairman**