

Performance Reporting: A European Discussion Paper

Question 1: Do you think there is anything else in the development of existing standards (apart from that discussed in chapter 2) that should be taken into account when considering the way forward for performance reporting?

Yes

Question 2: Do you agree with the observation in this chapter that, at the level at which standards are written, there is no generally agreed notion of what represents 'performance' and that in fact performance is a complex, multi-faceted issue that cannot be encompassed in one or a few numbers? If you do not, please explain your reasoning.

No

Question 3: Do you agree that key lines are still useful, though only because of their value as a basis for communication to the market and as a starting point for analysis and comparison? If you do not, please explain your reasoning.

Yes

Question 4: Do you agree that, in order to fulfil this function, it is important that there are clear principles that underpin what is included and excluded from the key line(s) (in order to make their content understandable) and those principles need to be such that the content of a key line is standardised to a fair degree (in order to ensure the necessary comparability).

Yes, we agree that there should have clear principles in order to explain what is included and excluded in the key lines and that those principles need to be such that the content of a key line is standardized to a fair degree to ensure the necessary comparability. These principles should also be disclosed in the Financial Statements.

Question 5: This chapter discusses the need for standard setters to balance the competing demands of comparability and flexibility, in order to give users fairly consistent starting points for analysis, while allowing management to present income and expenses in a manner that reflects the particular circumstances of the entity. Has the range of approaches to flexibility and comparability given in the chapter been appropriately described? What do you believe would offer the best approach in practice?

We think that the four options described in chapter 4 give the correct approaches between comparability and flexibility.

In our opinion the performance reporting should have some mandatory key lines with the content defined previously that preparers should be obliged to fulfill. Nevertheless, the preparers could insert other key lines according to their business model, and according how management analyses the business.

Question 6: This chapter finds no evidence that it is important for the "bottom line" of statement(s) of income and expense to be a key line. Do you agree that it is not important for the "bottom line" of statement(s) of income and expense to be a key line? If you do not, please explain your reasoning.

We do not agree that it is not important that the bottom line is a key line. We think that it would be useful that the bottom line to be "net income", because the bottom lines allows users of financial statements to have a quick glimpse of the performance of the entity, although having also the possibility to look more attentively to the other

components of the statement and other key lines that can give more information about the performance of an entity in specific period.

Question 7: In chapter 4, the paper observes that there is no evidence that it is important for the "bottom line" of statement(s) of income and expense to be a key line. Assuming that is correct, do you agree that it follows that the number of performance statements provided is not particularly important either. And thus that the one or two performance statements debate is a non-issue; the real issues relate to the key lines. Do you agree with this analysis and conclusion? If you do not, please explain your reasoning.

We agree that the real issues are related to the key lines and that the number of performance statements provided is not particularly important.

Question 8: Do you agree that recycling is mainly an issue if a realised/unrealized split is the main disaggregation criterion for the statement(s) of income and expense, that therefore recycling is really a secondary issue and that the main issue is which disaggregation model should be used? If you do not, please explain your reasoning.

We agree that recycling is a secondary issue in the analysis of performance of an entity and that the main issue is which disaggregation model that should be used by an entity accordingly with what has been said previously (see question 5).

Question 9: Would the issue of recycling on its own affect your decision as to the best approach to disaggregation? Please explain your reasoning.

The issue of recycling wouldn't affect our judgment regarding the best approach to disaggregation. Nevertheless, we would be most in favor of disaggregation model

where recycling would not be needed, as for example the model of disaggregation in operating/financing and investment.

Question 10: Do you have any comments on the basic models of disaggregation presented in this chapter? Are there any other broad types of model that would have been worth exploring?

We do not have more comments on the basic models of disaggregation.

Question 11: Is the discussion of the advantages and disadvantages of each disaggregation model fair and complete? If not, how could it be improved?

We think that the description of advantages and disadvantages of the models are fair and complete.

Question 12: Which of the models of disaggregation – or combinations of models – do you favour and why do you believe it meets the needs of users better than the alternatives?

We think that the model based on Operating vs Financing vs Investing is the most suitable model, since the same disaggregation would be adopted in the statement of cash flows and statement of financial performance, allowing both statements to be aligned. This disaggregation model applies to almost all entities and almost all business models and that would improve the comparability of the companies. Another advantage is that under this model there is no need for recycling.

Lisbon, 16th December 2009