From: Dangerfield, Alan [alan.dangerfield@roche.com]
Sent: 08 June 2009 14:22
To: Complexity
Subject: "Louder than words"

Attachments: Fin data FR08_2.ppt

Dear Melanie

David Loweth let me have a copy of this paper at EFRAG last week. I've included the link in the meeting notes that I usually send to several other preparers, so you may get some feedback from other quarters. However, just for the moment, here are a couple of purely personal remarks as a first reaction from my side (***not*** official Roche standpoint.)

1. It's very hard to disagree at all with the practical common-sense points of the paper. But who is going to drive this forward and turn it into reality? Many preparers are particularly disappointed with the theoretical approach taken to most questions by the IASB and their apparent unwillingness to take a more evidence-based approach to financial reporting focusing on relevance rather than conceptual purity. There seems little likelihood of any improvement with the present Board and hence a large, missed opportunity. Neither do we see much evidence of the IASC Trustees getting to grips with the problem. (The point about subsidiary accounts is a very good one, but that needs tackling by the EU and national governments rather than standard setters.) Perhaps the Board needs reminding that the first objective of the IASC is to "develop … a single set of … standards … **to help participants in the world's capital markets and other users make economic decisions."**
2. You may find interesting the attached graph which we have prepared internally. It shows the number of purely quantitative data given in our Annual Report each year (excludes any prior-year figures.) As background you should understand that our group started publishing consolidated financial statements in 1973 although they weren't mandatory in Switzerland until the mid 1990's. Also, the group adopted IAS for its 1990 statements and from 1994 onwards has produced them "in accordance with IAS/IFRS". The growth in data is remarkable. Admittedly some of the growth is due to a more transparent policy adopted by group management, but largely it's a matter of IAS/IFRS disclosure requirements burgeoning. This is especially the case in such areas as employee benefits, share-based payments, taxes, provisions, etc. where financial analysts don't always exhibit a high degree of disinterest in the figures (as opposed to in the economic substance behind them.) Another factor is the growth of the "Financial Review" (= OFR), which took up less than 6 pages in 1994 but nearly 30 in 2008. This is at least partly because the financial statements themselves are becoming more and more opaque for analysts, so we have to give more meaningful information elsewhere. (We even have some analysts saying that they don't really bother with the financial statements but rely on the Financial Review as more relevant and helpful for their purposes.) Anyway, we have to question to what extent the graph shows an improvement in information as opposed to a mere increase in data.

Best regards

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