Société Française des Analystes Financiers
Membre de l EFFAS

LE PRESIDENT

18th May 2006

Mr Kil-woo Le
Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir,

The French Society of Financial Analysts, SFAF (Société Française des Analystes Financiers), is pleased to submit its contribution as part of the consultation undertaken by the International Accounting Standards Board (IASB) on its ED8 - Exposure Draft on Operating Segments (Draft).

SFAF represents more than 1,600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS). Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of new or revised accountings standards.

For this reason, our Society, through its Accounting and Financial Analysis Commission, is keen to respond to your consultation on Operating Segments.

General comments:

First of all, we would like to stress that segment reporting is a key element in the work performed by financial analysts and that the related standards are therefore of high importance to them.

The draft IFRS adopts the management approach to segment reporting set out in SFAS 131 "Disclosures about Segments of an Enterprise and Related Information". We consider however that the so called management approach may not provide users with relevant and comparable information for the following reasons:

- We understand that the management is accountable for the financial statements of the related company and will therefore present the financial information associated to segment reporting in a way that will provide the necessary confidence to analysts and investors. However, having dealt in the past with numerous changes in the definition of reporting segments for some quoted companies, we stress the necessary stability of reporting segment definition over time as far as it is possible. We would expect that segments defined on similar risks and rewards would be less subjective, and would change less often.

- The management approach reflects the way in which management assesses performance. Consequently, the information disclosed would be subjective, less reliable and may change with time depending on the internal management organisation policies.

- We also consider that the disclosures proposed in the Draft may not be easily understandable and usable by the external users of the financial statements if a non-IFRS GAAP measures would be adopted. Additionally, the use of non-IFRS GAAP measures will reduce significantly the interest of segment information while making comparisons between companies. These points are critical for users.

- Moreover, we consider that, as companies are still implementing IFRS and analysts are getting used to this new environment, it may be contradictory to explain to them that non-IFRS GAAP measures may be more relevant than IFRS ones.

Thus, we consider that the management approach does not meet with the IASB conceptual framework principles which are relevance, comparability, reliability and intelligibility.

We support the effort undertaken by the IASB in order to perform disclosures about segments. However, we believe that the disclosures proposed in the IAS 14 are more relevant for the financial analysts as they provide information comparable between companies. It allows a better assessment of an entity's segments performance.

Concerning assets allocated to reporting segments, we unfortunately note that a large number of quoted companies don't provide sufficient information (e.g. economic assets), such information being of very high importance to financial analysts. Mixing goodwill, brands, and plant property and equipment can be misleading. We consider that this information is necessary either for Annual Financial Statements or Interim Financial Statements (IAS 34).

Regarding geographical information, we consider that the disclosure about the total cost incurred during the period to acquire assets that are expected to be used during more than one period (property, plan, equipment and intangible assets) are of high importance, as it provides information about the countries / areas where the entity is focusing its development.

We also consider that the Draft does not require a clear definition of segment profit and loss in order to be consistent with the attribution of assets to reportable segment. Moreover, "an entity might allocate depreciation expense to a segment without allocating the relating depreciation assets to that segment", which is strange to financial analysts, even if the entity shall, at a minimum, disclose the effect of such an allocation.

We support the idea that an entity should disclose more segment information in interim financial reports than is currently required as long as it provides users with comparable and relevant information.

Conclusion:

The Exposure Draft on Operating Segments reflects the effort undertaken to achieve convergence of accounting standards between IFRS and US GAAP.

SFAF believes that disclosures about segments is one of the main projects in term of interest for financial analysts. We consider therefore that the proposed changes from IAS 14 should focus on the user's perspective and not only on convergence.

We thank you for the opportunity given to us to provide our view on such important aspects and remain available for any further information.

Yours faithfully,

Franck Ceddaha
Chairman of the Accounting
and Financial Analysis Commission

Alain Cazalé
Chairman of SFAF