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Panneth, Haber & Zimmerman, U.S.A.

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Steven F. Moliterno

The Accounting Profession in Belgium

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

AICPA
American Institute of Certified Public Accountants

The Accounting Profession in Belgium
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AICPA

NOTICE TO READERS

The Professional Accounting in Foreign Countries series is designed to be educational and used as reference material for the members of the Institute and others interested in the subject. It is not intended to establish standards.

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The Accounting Profession in Belgium

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

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Preface

This booklet is one of a series on professional accounting in foreign countries. The material is current as of May 1991. Changes after this date in the standards of either the United States or Belgium may alter the comparisons and references detailed in this publication.

Included are descriptions of the accounting profession, auditing standards, and accounting principles in Belgium. The booklet also presents brief descriptions of the various forms of business organizations, taxes, and requirements for stock exchange listings and securities offerings. Checklists comparing auditing standards and accounting principles in Belgium with those generally accepted in the United States are appendixes to the text.

This booklet is not intended to be a comprehensive discussion of auditing standards and accounting principles in Belgium but is designed instead to focus primarily on how they differ from those of the United States.

John F. Hudson
Vice President,
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The Accounting Profession

REQUIREMENTS FOR ENTRY INTO THE PROFESSION

Domestic Functions and Licensing Requirements

1. The accounting profession in Belgium is divided between certified auditors (bedrijfsrevisor—réviseur d'entreprises) and accountants. The former is the equivalent of an American certified public accountant; the designation is given in Flemish and French because Belgium is a bilingual country. It is the function of the bedrijfsrevisor to perform the statutory audit of all companies. The auditor is also required to report to the workers council on economic and financial information rendered by the company. A workers council must be established in enterprises employing more than 100 persons. The bedrijfsrevisor needs a special license issued by the Institut des Réviseurs d'Entreprises to audit banks and other financial institutions and must meet the qualification standards of and be appointed by the Insurance Commission in order to audit insurance companies. Since 1985, the Institut des Réviseurs d'Entreprises has required all members to undergo a peer review once every five years.

2. The accountant performs nonattest activities, including tax advice, management advisory services, and other accounting or bookkeeping services. In addition, when a small or medium-sized company does not use a bedrijfsrevisor, an accountant can assist the shareholders in verifying the books.

3. The titles bedrijfsrevisor and accountant are both regulated. Only members of the Institut des Réviseurs d'Entreprises, the

official professional body established by law on July 22, 1953, may use the designation bedrijfsrevisor. This title is protected by law and may not be used by any unqualified person.

4. The Institute of Accountants was established in 1985. This is the official professional body for accountants; members include both internal accountants and accountants in public practice. The various accounting bodies can be reached at the following addresses:

College Nationale des Experts Comptables de Belgique
49 Rue de Congres
Brussels 1050

Institut des Réviseurs d'Entreprises
Avenue Marnix 22
Brussels 1050

Chambre Belge des Comptables
2 Galerie de la Reine
Brussels 1000

Institut des Réviseurs Agrées par la Commission Bancaire
Avenue Louise 99
Brussels 1050

Foreign Reciprocity

5. By law of July 22, 1953, and Royal Decree (the implementation of a law approved by Parliament and signed by the king) of October 13, 1987, a member of the Institut des Réviseurs d'Entreprises must be a citizen of one of the members of the European Community (EC) or of a country that grants to Belgian bedrijfsrevisors licenses to practice. In addition, by Royal Decree of April 20, 1990, foreigners can obtain exemption from the training program of accountants insofar as the professional requirements in their countries correspond with the knowledge and capabilities of Belgian accountants.

ROLES AND RESPONSIBILITIES OF STANDARD-SETTING BODIES

Professional Standards Promulgated by Each Body

6. The Council of the Institut des Réviseurs d'Entreprises develops generally accepted auditing standards that are codified

and published by the institute. Some auditing standards are general in nature and others deal with specific topics. The council is a board of directors composed of members of the institute elected at the general meeting.

7. Accounting standards are promulgated by the government as recommended by the Board of Accounting Standards. A series of laws define the generally accepted accounting principles that must be used. These include the basic accounting law of July 1975, which was updated in 1983. The laws deal with corporate accounting requirements. The following are the Royal Decrees implementing the basic law:

- Royal Decree of October 1976, defining the form and content of annual accounts
- Royal Decree of September 1983, introducing a standard chart of accounts and updating a prior Decree

Ethics Requirements

8. Ethical guidelines covering a wide range of matters have been promulgated by the Institut des Réviseurs d'Entreprises. Institute members must be of high moral character and respect the confidentiality of clients. Bedrijfsrevisors are prohibited from advertising and must be independent of their clients. Before accepting a client, a bedrijfsrevisor must determine whether the previous auditor was a member of the Institut des Réviseurs d'Entreprises and audited the company during the last twelve months. If so, the new bedrijfsrevisor must communicate in writing with the previous auditor. The period of the bedrijfsrevisor's appointment and the audit fee must be fixed for a period of three years but can be changed by agreement of both parties and the approval of shareholders. In enterprises with a workers council, the council must approve the dismissal of the previous auditor and the appointment of the successor.

PROFESSIONAL PUBLIC ACCOUNTING ORGANIZATIONS

Requirements for Membership

9. Applicants for membership in the Institut des Réviseurs d'Entreprises must have a degree from a Belgian university or an education of a comparable level. They must also pass an entrance

examination administered by the institute. A three-year term of training with a bedrijfsrevisor who has a minimum of five years of experience is then required, after which three examinations must be passed. This training contract must be for a minimum of a thousand hours a year.

10. All candidates must also take a practical capability examination. Successful candidates of at least 25 years of age who have obtained a certificate of good behavior have the right to become members of the institute.

11. Applicants without a university or other accredited degree can be accepted into the Institute of Accountants if they have ten years of experience.

12. Since the Royal Decree of April 20, 1990, membership requirements of the Institute of Accountants have been established. Candidates for the three-year term of training must undergo a theoretical capability examination at the beginning and a practical capability examination at the end of their contract; applicants with a minimum of six years of experience also must pass both examinations. In addition, the contract must cover a minimum of 750 hours of training a year.

Rights of Membership

13. Membership in the Institut des Réviseurs d'Entreprises is necessary to provide various certifications required by the Companies Act and to provide tax and management advisory services.

Number of Members

14. The Institut des Réviseurs d'Entreprises had 749 individual members and 127 partnerships at the end of 1990. The Institute of Accountants had 6,954 members in May 1991, of which 3,231 were external accountants, 3,723 were internal accountants, and 721 were partnerships.*

*Partnerships are considered to be members. However, all partners are also required to be individual members.

CPE Requirements

15. The Institut des Réviseurs d'Entreprises requires continuing professional education (CPE). A member of the institute must obtain at least 80 hours of CPE every three years. The Institute of Accountants requires a minimum of 30 hours of continuing professional education each year.

2

Auditing Requirements

STATUTORY AUDITING AND REPORTING REQUIREMENTS

Purpose of the Statutory Audit

16. A statutory auditor of a company must report to the shareholders on the annual accounts and the annual report prepared by the company's directors. The main objective of the audit is to express an opinion as to whether the financial statements give a true and fair view of the enterprise's financial position and operating results and make the required disclosures. The bedrijfsrevisor must consider relevant legal and accounting regulations. He or she must also verify that the directors' annual report contains all information required by law and that this information is consistent with the financial statements.

17. The bedrijfsrevisor has specific duties to perform for the workers council, a group that represents the employees in enterprises employing more than 100 persons. In addition to ensuring complete and accurate reporting as described in paragraph 17, the bedrijfsrevisor is required to certify the fairness and completeness of the economic and financial information that management submits to the workers council. This information is included on the annual accounts and certain supplementary information.

18. If the bedrijfsrevisor is unable to certify the fairness and completeness of the economic and financial information submitted, or if this information contains omissions or inaccuracies, he or she must advise management. If management does not rectify the situation within one month, the bedrijfsrevisor must notify the workers council.

Entities Required to Be Audited

19. The law requires substantially all enterprises to appoint one or more certified auditors as statutory auditor for an annual audit. An exception is allowed for small and medium-sized companies. Small companies are defined as sales traders and partnerships whose sales (excluding value-added tax) do not exceed BEF (Belgian francs) 20 million. Medium-sized companies must meet one of the following criteria:

a. Turnover (sales) of BEF 145 million

b. Total assets of BEF 70 million

c. Average workforce of under 50 workers

Enterprises that meet more than one of these criteria are classified as large companies. The criteria should be considered on an economic entity basis, i.e., on a consolidated basis rather than on a legal entity basis.

20. In addition, all enterprises with a workers council, regardless of their legal form, must appoint a bedrijfsrevisor to report to the council on financial information submitted by management. The appointment must be made at the annual meeting. The same bedrijfsrevisor can fulfill both the reporting functions of enterprises with a workers council and the legal requirement for a statutory audit.

Appointment and Qualifications of Auditors

21. The appointment of a bedrijfsrevisor and the determination of the fee is decided at the annual general meeting of the shareholders. This appointment, which is renewable, and the fee cover a period of three years. When a firm of auditors is appointed, one of the partners is designated as the one with primary responsibility who will personally sign the auditors' report.

Auditing and Reporting Responsibilities

22. The enterprise's directors are responsible for preparing the annual accounts and the annual report. It is the bedrijfsrevisor's responsibility to report on whether the annual accounts give a true and fair view of the company's financial position and operating results, while considering relevant legal and accounting regulations. The auditor's report must also state whether the bookkeeping and

the annual accounts meet legal regulations. In addition, the bedrijfsrevisor must determine whether the annual report contains all information required by law and that this information is consistent with the annual accounts and with legal and statutory requirements. The bedrijfsrevisor must disclose knowledge of any breaches or decisions not in accord with the articles of association or the Companies Act of 1984.

Filing of Reports

23. The statutory reports (the directors' report and the auditor's report) are addressed to the shareholders at the annual general meeting and to the workers council. The statutory reports must be filed together with the annual accounts.

24. The directors have the option of filing their report with the annual accounts or supplying a copy on demand to any interested party.

SUMMARY OF SIGNIFICANT AUDITING STANDARDS AND COMPARISON WITH U.S. GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

Standards Issued

25. The Institut des Réviseurs d'Entreprises has issued standards and guidelines regarding the auditing process. Auditing standards define the basic principles that members are expected to apply in the conduct of an audit. Auditing guidelines prescribe the procedures and techniques to use in an audit. A list of current standards and auditing guidelines is provided in appendix A.

26. Belgian auditing standards are similar to the general standards, standards of fieldwork, and standards of reporting that exist in the United States. There are, however, some differences.

27. In Belgium, although the auditor is not required to confirm receivables, the practice is referred to in the standards of fieldwork as an important procedure and thus is usually done.

28. Written representation from management or from management's legal counsel is not required. Written representation from

management is not usual in the profession, but obtaining letters of representation from management's legal counsel is referred to in the standards of fieldwork as an important procedure and thus is usually done.

29. Internal control weaknesses that may affect the fair presentation of the annual accounts are required to be reported to the shareholders.

General Standards

30. The certified auditor's opinion is based on conclusions derived from the application of efficient and effective control procedures.

31. Before accepting the engagement, the auditor must be sure to have the resources necessary to carry out the assignment in accordance with the standards. Personnel employed during the audit assignment need to be supervised.

32. The objective of the control procedures is to determine whether the annual accounts are consistent with the legal and statutory requirements that govern them, present fairly the company's financial position and operating results, and provide adequate supplementary information in the notes.

33. The bedrijfsrevisor must be independent from the client and must avoid any activities that could jeopardize that independence.

34. The bedrijfsrevisor must properly plan the audit. The tests should be designed to uncover all material errors in the financial statements.

Standards of Fieldwork

35. An audit program should be used.

36. All audit steps are to be documented in the workpapers. Workpapers must be kept for ten years.

37. The bedrijfsrevisor decides on the nature, extent, and timing of the audit tests.

38. The system of internal control shall be tested. If it is not adequate, the substantive audit tests must be expanded.

39. The bedrijfsrevisor must gather sufficient evidence to support his or her opinion.

40. One of the bedrijfsrevisor's responsibilities is to determine whether the company conforms to all bookkeeping and annual accounts legislation.

41. The bedrijfsrevisor shall inform management regarding any false or misleading declarations made to the public.

Standards of Reporting

42. Belgian standards of reporting require the bedrijfsrevisor to express an opinion on the company's annual report.

43. The auditor's report should comprise—

a. A statement that the examination was conducted in accordance with GAAS.

b. A statement regarding the adequacy of internal control in relation to the size and nature of the business.

c. A statement indicating that accounting records and annual accounts were prepared in conformity with legal and statutory requirements and that no changes were made in the application of accounting principles since the previous year.

d. A statement indicating that the directors' report agrees with the annual accounts and that it includes all information required by law.

e. A statement indicating that no violation of the articles of association or Company Law has been noted, and that the appropriation of income conforms with legal and statutory requirements. Such a statement can be omitted if it would cause unjustified damage to the company or if corrective action has been taken.

f. A paragraph containing the auditor's opinion of the company's annual accounts.

The auditor's opinion is to be signed and dated subsequent to the acceptance of the annual accounts by the board of directors.

44. In the event of one auditor's succeeding another, the successor may rely on the control procedures applied by the predecessor. The successor may question whether those control procedures were adequately performed and can question the predecessor auditor.

45. If the successor auditor has serious doubts, he or she may question the opening balances and thus qualify the current year's results. If significant errors in results are found, the successor auditor may state in the opinion that the comparative figures were incorrectly prepared.

46. It is the responsibility of the principal auditor to ensure the adequacy of the control procedures used by the other auditor. If the principal auditor determines that the procedures used by the other auditor are not reliable, the opinion will be qualified.

47. In order for the auditor's opinion to be unqualified, the examination must be conducted in accordance with the auditing standards of the institute and the annual accounts must be prepared in accordance with statutory requirements and generally accepted accounting principles. The accounting principles must be applied on a consistent basis; otherwise, all relevant information about inconsistencies and their effects on operating results must be disclosed. All information must be clear and understandable to the reader and give a true and fair view of the company's net worth, financial position, and operating results.

Qualification of Audit Reports

48. Four types of opinions are recognized:

a. Unqualified, or clean, opinion

b. Qualified opinion, caused by—
- Scope restriction.
- Uncertainty.
- Auditor disagreement with the presentation and contents of one or more elements of the annual accounts.

c. Adverse opinion, rendered when a disagreement concerning certain elements of the annual accounts or compliance with Belgian legal requirements is of such significance that the auditor does not believe that the annual accounts fairly represent the company's financial position and operating results.

d. Disclaimer of opinion, used only when—
- Information rendered by the company is insufficient and the auditor is not in a position to render an opinion on its annual accounts.

- Significant uncertainty exists regarding the true and fair view provided by the company's financial statements.

49. A disclaimer of opinion is issued when there is insufficient information to determine how true and fair is the picture afforded by the financial statements. This could occur when a weak system of internal accounting control exists and alternative auditing procedures prove unsatisfactory, or when an unusual uncertainty exists that influences the company's financial position or operating results.

Dating of Auditing Reports

50. The date of the auditor's report should be the date of actual signing. This date may not precede the date on which the annual accounts were accepted by the board of directors of the company.

3

Accounting Principles and Practices

SOURCES OF ACCOUNTING PRINCIPLES

51. The law of July 1975, as amended in July 1983, deals with the accounting and annual accounts of enterprises. Fundamental principles of going concern, consistency, prudence, accrual, and the separate valuation of assets, liabilities, income, and expenditures are all promulgated by Royal Decrees.

FORM AND CONTENT OF FINANCIAL STATEMENTS

Presentation of Statements

52. The directors of a company are required by the Companies Act of 1984 to submit a directors' report and audited financial statements (an exception is made for small companies that need not be audited, see paragraph 19) to the shareholders for their approval at the annual general meeting, which must take place within six months of the closing date of the annual accounts. The Royal Decree of September 12, 1983, article 10, requires that the directors file the annual accounts—including accounting policies, audit report, and names of directors and auditors—with the Commercial Court within one month after the annual general meeting and within seven months of the company's year end. Large companies have the option of filing the directors' report with the Registration of Companies (a department within the Commercial Court) or giving it

to those who request it. Companies with annual sales of less than BEF 20 million are not required to publish their annual accounts. Copies of the annual accounts are available at branches of the National Bank of Belgium.

53. The directors' report should contain the directors' view of the company's affairs. The Companies Act of 1984 requires that certain specific matters also be disclosed in the report. Comments on whether the annual accounts give a fair view of the company's operations and financial position are required. In addition, the report must include any relevant information regarding events that occurred after the balance-sheet date, as well as any information that might significantly affect the company in the future. The directors must discuss the factors that play a role in the development of the company, such as research and development projects. If capital increased or convertible bonds or bonds with preference were issued, the directors' report must address the uses and effect of the additional funds on the company. Additional disclosures are required if the company acquires treasury stock.

Types of Statements Prepared

54. The accounting legislation requires companies to prepare basic financial statements—balance sheet and income statement—as well as notes. These statements must be comparative and follow a format prescribed by the accounting legislation. There is no requirement that a statement of cash flows be prepared.

55. Under certain circumstances, the accounting legislation permits an abbreviated set of financial statements to be prepared instead of the regular format. The company can elect to do this if no more than one of the following is true:

a. Annual sales, excluding VAT (value-added tax), are less then BEF 145 million

b. Assets are less then BEF 70 million

c. Average number of employees is less than 50

Once the company adopts the regular or the abbreviated format, it must be used consistently.

56. The abbreviated balance sheet is very similar to the regular format. Only four items are presented differently. The information

required to be presented for these items is reduced to the total for that category instead of a schedule. The items are:

	Schedule Number	
Assets	IV	Financial assets
	VIA	Inventory and contracts in progress
	VIII	Short-term cash investments
Liabilities	VII	Provision for liabilities and charges
	VIIIA	Financial debt due in more than one year
	VIIIB	Trade liabilities due in more than one year

A list of the various financial statement schedules is contained in the Royal Decree of October 8, 1976.

57. Abbreviated information can also be given as part of the condensed income statement. Only the gross operating margins are presented, along with some operating expenses such as item IIC (remunerations, social security costs, and pensions), item IID (depreciation and amortization), item IIE (writedowns relating to inventory, contracts in progress, and trade debtors), item IIF (increase/decrease in provisions for liabilities and charges), and item IIG (other operating expenses). Only some footnotes are required with the condensed format.

58. The Royal Decree of March 6, 1990, effective for years commencing on January 1, 1991, requires that consolidated financial statements be prepared for all companies in accordance with the seventh directive of the European Community (EC) on consolidation.

59. Thus, every company that controls one or more subsidiary companies according to Belgian or foreign law must be consolidated if two of the following are true:

- For financial years January 1, 1991, through December 31, 1998—
  a. Annual sales, excluding VAT, exceed BEF 1,450 million.
  b. Assets exceed BEF 700 million.
  c. Average number of employees exceeds 500.

- For the fiscal year beginning on or after January 1, 1999—
  d. Annual turnover, excluding VAT, exceeds BEF 580 million.
  e. Assets exceed BEF 280 million.
  f. Average number of employees exceeds 250.

60. The one exception is a Belgian parent company that is a subsidiary of another EC company and whose financial statements are included in the consolidated statements of the parent company.

61. This exception is only applicable to unlisted companies. In accordance with the Royal Decree, a bedrijfsrevisor must report on the consolidated annual accounts. This Royal Decree is not applicable to financial institutions and holding companies (portefeuille maatschappijen/sociétés à portefeuille), for which consolidation was mandated by Royal Decree of November 10, 1967.

62. At least once a year each enterprise shall inspect, verify, and evaluate its operations to establish, by a determined date, a complete inventory of its assets, contingent assets and rights, debts, commitments, and contingent liabilities relating to its activities and resources.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND COMPARISON WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

63. The fundamental accounting concepts in Belgium are going concern, accrual, consistency, and prudence. The historical cost basis of recording assets and liabilities is the predominant practice.

Alternative Accounting Rules

64. Alternative accounting methods permit fixed assets and investments to be stated at values other than costs, for example, at market value. Enterprises may revalue tangible fixed assets (items AIII through AIV) when the value of these assets, as determined by their usefulness to the enterprise, clearly and permanently exceeds their book value.

65. In the case of tangible fixed assets with limited useful lives, the surplus resulting from revaluation shall be depreciated over the

estimated residual useful lives of the assets. Revaluation is allowed only if there are sufficient profits to offset future depreciation expense on the revalued amounts.

Fixed Assets

66. Tangible fixed assets with limited useful lives can be depreciated on an accelerated basis, using the double declining-balance method. If this method is used, disclosure of the difference between the economic and accelerated depreciation is required. Depreciation should be charged to income on a systematic basis for each accounting period during the useful life of the asset. Fixed assets are subject to supplementary or exceptional depreciation when, because of economic or technological change, their book value exceeds their value to the enterprise.

Goodwill

67. Goodwill is accounted for as an intangible asset arising from a business combination. The amortization of goodwill must be spread over five years, starting from the acquisition date. When this period is exceeded, a justification must be disclosed in the notes.

Related-Party Disclosure

68. Belgian financial reporting guidelines require disclosure of relationships with affiliated enterprises. Disclosure for the current and preceding years is required for the following:

a. The amount of related-party investments and accounts receivable
b. Accounts receivable due after one year and within one year
c. Accounts payable due after one year and within one year
d. Debts and other commitments guaranteed by the enterprise and on behalf of the enterprise
e. Other significant financial commitments
f. Financial income (item IV on the income statement) distinguishing—
  - Income from financial fixed assets.
  - Income from current assets.
  - Other financial income.
g. Expenses (item V on the income statement), including—
  - Interest and other debt charges.

- Other financial charges.

h. Gains and losses on disposal of fixed assets

69. The following disclosures are required with respect to directors:

a. At the end of the year, the main conditions relating to accounts receivable due from directors, the amount of guarantees given on their behalf, and other significant commitments undertaken on their behalf

b. The amount of direct and indirect remuneration and pensions, included in the income statement, paid to directors and former directors (individual directors must not be identified)

Segment Reporting

70. There is no statutory requirement to disclose information in the financial statements for each industry segment. However, the net sales must be broken down by activity and geographical market.

Effects of Inflation

71. There is no legal requirement to disclose the effects of inflation in the financial statements or to present the financial statements according to any current cost accounting method.

Receivables

72. Accounts receivable and fixed-income securities shall be written down when collectibility is uncertain or doubtful.

Liabilities

73. Liabilities due within one year are considered current and must be segregated from long-term liabilities on the balance sheet. This includes expenses to be paid that were incurred during the current or previous financial period for which no invoice has been received, provided the amounts are known or can be determined with reasonable accuracy.

74. Liabilities secured by the company's assets should be disclosed in the financial statements and notes.

Accounting for Leases

75. Belgian accounting rules recognize both financial (capital) and operating leases. Financial leases are treated as an asset in the

balance sheet and operating leases are expensed. Generally, if the lease agreement contains a fixed bargain-purchase option or the lessor is able to reconstitute its capital with the lease payments received, the lease will be considered a financial lease. All others are considered operating leases.

Research and Development Costs

76. Enterprises may capitalize R&D costs that provide future benefits to the company. When they are capitalized, research and development costs must be amortized over five years unless a longer amortization period is justified in the footnotes.

77. Research and development costs generally require disclosure in the annual directors' report and additional disclosure in the notes for larger companies.

Pension Costs

78. A brief description of the pension plan and the related pension costs must be provided. For pension plans funded by the company, the obligations arising from past services must be estimated and disclosed, along with the method used to estimate the obligation. Since the promulgation of the Royal Decree of May 14, 1985, internal pension funds for employees must be transferred to a nonprofit organization. These organizations are supervised by the Insurance Commission, audited by a bedrijfsrevisor approved by the Insurance Commission, and conducted in accordance with the regulations of the Royal Decree.

Deferred Taxes

79. Deferred taxes are not recorded in the financial statements. In the notes the timing differences between taxable income and book income are identified as sources of contingent assets and liabilities. Deferred taxes may be accounted for in the consolidated financial statements.

80. Separate disclosure is made for accumulated tax losses and investment tax credit carryforwards.

Foreign Currency Translation

81. Translation adjustments are not required to be accumulated as a separate component of stockholder equity unless they are real-

ized. There is also no requirement that changes in the component of shareholder equity relating to translation adjustments be analyzed during the period.

82. At year end, there is a difference in the way monetary and nonmonetary accounts are treated. Nonmonetary accounts are recorded at the acquisition price. Monetary accounts are valued following rules established by the board of directors. The recommended practice is to value accounts receivable and payable at the closing exchange rates.

83. If, however, the revaluation for a specific currency results in a loss, the net exchange loss is charged to income. If it results in a net gain, it is treated as an unrealized exchange gain, which is deferred on the balance sheet (accrued charges and deferred income). Crediting the net exchange gains directly to the income statement is also permitted. The choice of foreign currency translation policy must be explained in the footnotes.

84. Because bonds denominated in a foreign currency are considered to be monetary accounts, they require that the revaluation procedure be followed. No offset is allowed between the change in the fair market value of the bonds and any unrealized gain or loss on foreign currency translation.

4

Business Environment

FORMS OF BUSINESS ORGANIZATION

Entities With Corporate Attributes

85. There are two main types of incorporated business entity:

a. Besloten Vennootschap met Beperkte Aansprakelijkheid (BVBA)/ Société Privée avec Responsabilité Limitée (SPRL)

b. Naamloze Vennootschap (NV)/Société Anonyme (SA)

Both are limited companies, in which the liability of shareholders is limited to the amount paid for the shares.

86. A BVBA/SPRL is a private corporation. It must have one or more shareholders and capital of at least BEF 750,000. Its registered capital must be fully subscribed and minimum capital of BEF 250,000 is required to be paid in. If the capital subscribed is in excess of BEF 750,000, the minimum to be paid is BEF 250,000 plus 20 percent of the amount over BEF 750,000. The unpaid remainder can be called upon at the discretion of the directors. In addition, a notary public must certify that the entity meets all the conditions required to qualify as a BVBA/SPRL.

87. An NV/SA is a public corporation and is larger than a BVBA/SPRL. A company that is an NV/SA may not necessarily be listed on an exchange and have its shares traded. Most public corporations are not quoted on an exchange, but all companies quoted on an exchange are public companies. The NV/SA designation also means that a company meets certain conditions of incorporation, such as capital of at least BEF 1,250,000. There must be at least two shareholders and all the registered capital must be fully subscribed

and paid in. When the capital exceeds BEF 1,250,000, at least 25 percent of the value of each share must be paid to the company, with the balance called upon at the discretion of the board of directors. A notary public must draft the articles of incorporation stating that all the requirements have been met for an NV/SA.

88. According to the Companies Act, all Belgian companies must hold at least one shareholder meeting each year. The main purpose of the annual meeting is to approve the annual accounts, including the allocation of results, and to appoint and discharge the board of directors and the auditor.

89. A shareholder of a corporation is only liable for the amount that is unpaid on his or her shares. Incorporators may be personally liable on corporate debts, as mandated by the law of August 4, 1978. This law requires that, prior to the formation of the company, the incorporators must write a financial plan for its first two years justifying the capital to be raised. This has serious implications for the incorporators should the company go bankrupt within three years of its inception. In such a case, and when an obvious lack of financial means to support the normal activities of the company can be demonstrated, the incorporators may be held personally liable for the bankruptcy debt of their company.

90. The Companies Act requires that all companies establish legal reserves amounting to 10 percent of the issued capital. A minimum of 5 percent of the company's yearly profit (if any, after deduction of previous losses) is allocated to this reserve. It must remain in the company and cannot be paid out as dividends.

Branch of a Foreign Company

91. A branch of a foreign corporation operating in Belgium is required to register with the Court of Commerce. A certified copy of the articles of incorporation and articles of association, as well as any amendments thereto, must be filed. A certified copy of the resolution to register the branch and the identity of an appointed legal representative of the corporation should also be filed. When these documents were not originally drafted in one of the national languages (French, Dutch, or German, depending on the region), publication in the Appendix to the *Belgian Official Gazette* of a sworn translation is required.

92. By the law of July 17, 1975, the bookkeeping of a branch of a foreign company operating in Belgium may be done abroad, on the condition that all books, charts of accounts, and documents be available on request at the registered office of the enterprise. In addition, the bookkeeping must be done in the language of the region of Belgium where the branch is located. Large companies are required to file the annual accounts of the foreign branch and the parent company within seven months of the company's year end. Small and medium-sized companies need only file the annual accounts of the parent company.

Partnership Entities

93. Belgian law considers the basic partnership, a trading partnership, to be a nontaxable entity. All partners are jointly and severally liable for all debts of the partnership. All partners are free to act on behalf of the partnership. The partnership agreement determines the amount of capital investment, the allocation of profit or loss, and the responsibilities of partners.

Other Forms of Business Organization

Sole Proprietorship

94. An individual conducting a business as a sole proprietor is fully responsible for all debts of that business. Individuals carrying on a commercial activity are permitted to set up a simplified system of accounting if their sales for the previous financial period, excluding VAT, do not exceed BEF 20 million. For individuals whose main activity is the retail sale of oil and gasoline, the amount is increased to BEF 25 million. In all cases, individuals must maintain their accounts in accordance with generally accepted accounting principles.

Cooperatives

95. A cooperative is a company composed of a variable group of partners whose contributions are variable. The group must be composed of a minimum of three partners.

Coordination Centers

96. Coordination centers were introduced into Belgium in December 1982. The government's stated purpose in doing so was to

provide incentives for multinational companies to establish their regional headquarters in Belgium and to allow them to reduce costs by centralizing their management and financial activities in an almost tax-free environment.

97. A multinational group may take advantage of the favorable coordination center tax legislation only if it meets these criteria:

a. The entity of which a coordination center is a part must be a qualified Belgian entity; it may be established either as a Belgian incorporated company or as a branch of a nonresident company. The Royal Decree of November 3, 1986, requires that—
   - The center must be part of a multinational group that has consolidated capital and retained earnings of at least BEF 1 billion and sales of BEF 10 billion.
   - The foreign (non-Belgian) capital and retained earnings of the group must be at least BEF 500 million, or 20 percent of the total capital and retained profits.
   - The foreign sales must be at least BEF 5 billion, or 20 percent of the total sales.
   - The group must have owned at least one subsidiary in four other countries since January 1 of the second year before the coordination center application was submitted.

b. The entity engages in certain qualifying activities that can be divided between financial services and business support services.

c. The coordination center must employ in Belgium the equivalent of at least ten full-time employees after two years of operation. Employees transferred from the parent company or affiliated companies qualify.

d. The coordination centers must be recognized by Royal Decree.

98. The law of December 27, 1984, allows coordination centers to apply for a renewal of their tax status. A qualifying coordination center pays a notional Belgian income tax based on a certain percentage of its total operating expenditures, excluding financing and personnel costs. The tax status remains in effect for ten years and is renewable.

99. There is an exemption from withholding tax for interest, dividends, and royalties paid or distributed by the coordination center.

REQUIREMENTS FOR PUBLIC SALES OF SECURITIES AND FOR LISTING OF SECURITIES ON THE STOCK EXCHANGE

Registration Requirements for Public Sale

100. The capital of a public company (NV/SA) may be increased, either by incorporation of capital reserves or by the issue of new shares. Any increase in capital requires a notarial act that must be formally registered.

101. New shares may be offered to the public or to existing shareholders. However, they must first be offered to existing shareholders in proportion to their capital. In the case of existing shareholders, public notice is not required and the shareholders can subscribe directly to the new shares. The cost and formal procedures are the same as those involved in setting up a new company, including registration of the increased capital, notary fees, and publication in the official publication (*Belgisch Staatsblad/Moniteur Belge*) and in the newspapers.

102. An issue of shares by public offer for subscription or sale entails the following:

a. The Banking Commission must be notified at least fifteen days in advance. Notification must be accompanied by information on the financial structure of the company, the membership of its board of directors, the proposed use of the additional capital, and other particulars. If the Banking Commission believes that the proposed issue of securities would cause a serious disturbance in the capital market, it may recommend that the issue be reduced or staggered. If an agreement cannot be reached or if the commission considers the subscription terms and conditions to be misleading to the general public, it can order the suspension of the stock offering for up to three months. If the Commission deems it necessary, it may make this decision public.

b. Ten days before the offering, a notice must be published in the appendixes of the *Belgisch Staatsblad/Moniteur Belge* and in two newspapers containing the company's articles of association, its capital, members of its board of directors, and other information as required by law.

c. If in the opinion of the Minister of Finance a foreign company's proposed stock should not be issued, the minister will publish a public notice in the *Belgisch Staatsblad/Moniteur Belge* prohibiting banks and stockbrokers from trading the company's stock.
d. Banking Commission fees, subscription costs, and quotation charges must be paid.

It is important to note that since January 1, 1990, the member countries of the European Community have mutually recognized prospectuses. This means that a prospectus accepted in one member country will automatically be recognized and published in other EC countries if requested by a company in the future.

Requirements for Listing Securities on the Stock Exchange

103. The Quotations Committee (Noteringscomite/Comité de la Cote) is responsible for all rulings regarding the listing of securities in the market. Appeal of a Quotations Committee decision can be filed with the Appeals Committee (Beroepscommissie/Commission d'Appel).

104. The Banking Commission requires that a company file a report of its objectives, a list of the members of its board of directors, and other information before making an application for listing. In addition, the approval of the Minister of Finance must be obtained.

105. After its shares have been listed, the company has a legal obligation to inform the Banking Commission, the Quotations Committee, and the shareholders of all factors that could influence the market price.

Public Takeover Bid

106. Every individual or corporation owning 5 percent or more of the company's voting stock must notify the Banking Commission and the company itself of the number of securities owned. Subsequent acquisitions also require notification.

Second Market

107. In November 1984, a second public market (similar to the over-the-counter market) was formed in Belgium. It is based on the same principles as the official security market, but regulation is less

complex, costs are lower, and the working requirements are more flexible. As a result, entry conditions and obligations are ideal for small and medium-sized companies.

108. To date, however, the second market has not been a success, as a result of distrust in the stock market and insufficient information, among other factors.

Inside Information

109. Inside information was regulated in 1990 and is strictly forbidden.

SELECTED ECONOMIC DATA

110. Key Belgian demographic and economic indicators, based on data from 1989 (unless otherwise indicated), are as follows:

Area (in square miles)	11,799
Population (in millions)	9.9
Labor force (in millions)	3.7
Real gross national product increase (estimated)	4.5%
Productivity increase	3.2%
Consumer price increase	3.1%
Percent of gross national product exported	73%

111. The major Belgian trading partners, on a percentage basis, are as follows:

	Exports		*Imports*	
EC				
France	20.0		15.4	
Germany	19.5		24.5	
Netherlands	14.7		17.8	
Other EC countries	20.0		15.4	
		74.2		73.1
United States		5.0		4.3
Developing countries		9.3		9.9
Others		11.5		12.7
		100.0		100.0

TAXES

Principal Types

112. Belgium has separate tax rates for domestic and foreign corporations. The corporate income tax is computed based on the taxable income of the company, which is the income after all allowable expenditures are deducted. Losses incurred during a taxable period are carried forward to be set off against future profits without a time limit.

113. The basic tax for domestic corporations is computed at the following rates:

a. 43 percent before December 30, 1990

b. 41 percent from December 31, 1990, and for company years ended before December 30, 1991

c. 39 percent from December 31, 1991, with various rate reductions depending on the level of taxable income and on whether less than 50 percent of the company is owned by another company.

114. The basic tax for foreign corporations is computed at the following rates:

a. 48 percent before December 30, 1990

b. 43 percent from December 31, 1990, with reduced tax rates available for corporations based in countries that have treaties with Belgium

Distribution of Profits

115. Dividends paid by a Belgian company are subject to a withholding tax of 25 percent.

Payment of Interest

116. Interest payments are subject to a 25 percent withholding tax. By the law of February 22, 1990, the withholding tax was reduced to 10 percent for new loan agreements and deposits made after March 1, 1990. The reduced withholding tax applies to interest on bank deposits made from January 1, 1990.

Consolidation

117. Belgium does not employ the concept of consolidation for tax purposes. Each legal entity is considered a separate entity for tax purposes.

118. For foreign investors with several lines of business in Belgium, it is possible to create a legal entity in which the various lines of business are treated as separate divisions within that entity. This, in effect, enables profits or losses to be consolidated.

Value-Added Tax (VAT)

119. The value-added tax is a general tax on consumption, strictly proportionate to the price of goods and services and unaffected by the number of transactions preceding the final one.

120. The applicable VAT assessment rate is—

a. 0 percent for exports.
b. 1 percent for gold investment transactions.
c. 6 percent for goods of necessity and for social services.
d. 17 percent for certain goods and services of particular economic interest such as energy, laundry, and restaurant services.
e. 25 percent for luxury goods.
f. 33 percent (the basic VAT of 25 percent plus an additional 8 percent) for special luxury goods.
g. 19 percent for all other goods and services.

Other Taxes

121. An individual income tax is due from residents of Belgium. The income tax is based on the total net income from all sources. For the tax year 1990, it ranged from 0 percent to 55 percent for income exceeding BEF 2.2 million.

122. Individual nonresidents of Belgium and companies, partnerships, and other associations whose registered office or main establishment is not in Belgium are taxed only on income produced or received in Belgium.

Tax Returns

123. Individuals must file their tax returns within one month after receiving the tax return forms from the tax administration.

124. A resident entity or a branch of a foreign corporation must file its tax returns within the period specified on the tax return form. This period may be no less than one month after the annual general meeting and no more than six months after the closing of the entity's fiscal year.

APPENDIX A

Outstanding Authoritative Pronouncements

Control Standards of Auditing

The following were issued by the Institut des Réviseurs d'Entreprises:

a. General auditing standards, December 2, 1983
b. Standards concerning the certifying of consolidated accounts, March 2, 1984
c. Standard concerning the audit of transactions in kind, March 2, 1984
d. Standards concerning the audit of the adoption of another legal form of the company, March 2, 1984
e. Specific standards for audit of financial institutions, December 3, 1982
f. Audit standards relating to insurance companies, June 29, 1979

Recommendations

The following were issued by the Institut des Réviseurs d'Entreprises:

a. Acceptance of a mandate, June 1985
b. Use of the report of another bedrijfsrevisor, September 1988
c. Objective of the audit of the annual accounts, July 1987
d. Audit program, July 1987
e. Work documents, July 1987
f. Control of the annual report, January 1, 1990
g. Use of the activities of the internal audit department, January 1, 1990
h. Inventory audit, June 8, 1990

Accounting

The Board of Accounting Standards has issued twenty-six booklets of recommendations covering 156 topics as of March 1991.

APPENDIX B

Illustrative Auditor's Report and Financial Statements

The following financial statements are intended for illustrative purposes only. The statements presented are not intended to include all information that Belgian law requires.

Dear Sirs,

In accordance with the legal and statutory requirements, we have the honor to report to you on the accomplishment of our mandate during the year 1989.

Our examination of the annual accounts was made in accordance with the auditing standards of the "Institut des Réviseurs d'Entreprises." Any information required was willingly supplied by the company management, as well as by other personnel.

The audit performed has shown that the company's system of internal control is adapted to its size and nature, and is sufficiently reliable to allow the conclusions of this report. Furthermore, the company's accounting system and its annual accounts comply fully with legal requirements.

In our opinion, the annual accounts give a true and fair view of the financial position of the company and of the results of its operations. They have been prepared on the basis of generally accepted accounting principles, applied on a basis consistent with that of the previous year.

In addition, our examination allows us to conclude that the annual report of the Board of Directors contains all the information required by law, and that no discrepancies have been detected between the report and the annual accounts.

The appropriation of the results, which are being submitted for your approval, is in accordance with the articles of association of the company, as well as with legal requirements. Furthermore, as a result of our audit, we have no knowledge whatsoever regarding violations of Belgian commercial law.

In conclusion, we certify that the annual accounts, showing a balance sheet total of BEF xxx, a profit of BEF xxx, and a profit carried forward of BEF xxx, give a true and fair view of the financial position and of the results of the company, in conformity with Belgian accounting regulations.

Antwerp, 1990

BCV Riské & Co—Réviseurs d'entreprises
Commissaire-réviseur
represented by

Eduard B. Riské
Réviseur d'entreprises

PETROFINA
CONSOLIDATED BALANCE SHEET
at December 31, 1989 and 1988 (note 1)
(expressed in thousands of Belgian francs)

	1989		1988	
Assets				
I. Incorporation Expenses and Intangible Assets (notes 2d and 2g)		3,377,259		4,575,143
III. Property, Plant and Equipment (note 2h)		189,283,582		174,722,229
Gross fixed assets	441,654,407		392,326,245	
Less accumulated depreciation (note 2f)	(252,370,825)		(217,604,016)	
IV. Investments (note 2i)		11,814,200		14,678,952
Subsidiary companies	3,931,063		6,934,862	
Affiliated companies	4,437,015		5,106,304	
Other investments	3,446,122		2,637,786	
V. Receivables of More Than One Year (note 2j)		21,708,994		18,483,655
Fixed assets (note 2)		226,184,035		212,459,979
VI. Inventories (note 3)		45,984,571		47,122,616
VII. Receivables of Less Than One Year		76,981,061		67,885,957
Trade receivables	68,235,291		59,756,135	
Others	8,745,770		8,129,822	
VIII. Marketable Securities (note 4)		9,968,340		15,115,665

(Continued on next page.)

	1989		1988	
IX. Cash		5,048,691		5,509,132
X. Prepaid and Deferred Charges and Accrued Income (note 5)		4,370,723		4,464,503
Total		368,537,421		352,557,852
Liabilities				
I. Share Capital (note 6)		40,328,184		37,510,731
II. Share Premium (note 7)		13,609,041		132,252
III. Reserves and Profit Carried Forward (note 8)		89,567,171		80,635,382
V. Minority Interests (note 9)		6,484,666		7,643,903
VI. Monetary Realignment Fund		11,076,464		10,123,000
VII. Provisions (note 10)		51,450,115		55,013,663
Provisions for deferred taxes	22,994,668		29,477,172	
Provisions for claims and losses	24,733,455		22,015,030	
Pension fund	3,721,992		3,521,461	
VIII. Debt of More Than One Year (note 11)		34,308,947		36,777,329
Bond issues	16,701,675		18,953,969	
Leasing	2,319,776		1,257,420	
Banks and financial institutions	14,669,242		15,952,434	
Others	618,254		613,506	
Capital employed		246,824,588		227,836,260

IX. Debt of Less Than One Year (note 12)		116,734,147		120,285,050
Debt of more than one year maturing within one year	3,326,843		1,044,411	
Financial debt	28,859,502		41,435,654	
Accounts payable	43,600,614		37,295,927	
Others	28,458,386		29,935,051	
Proposed dividend and bonuses	12,488,802		10,574,007	
X. Prepaid and Deferred Credits (note 13)		4,978,686		4,436,542
Total		368,537,421		352,557,852

PETROFINA
CONSOLIDATED STATEMENT OF INCOME
for 1989 and 1988
(expressed in thousands of Belgian francs)

	1989		1988	
Expenditures				
Cost of Products		307,876,874		242,180,950
Duties and Taxes on Products		133,929,933		122,752,337
General Operating Expenses (note 15a)		66,470,799		60,171,364
Depreciation, Depletion and Amortization of Assets and Provisions		34,677,483		29,012,304
Property, plant and equipment, and intangible assets	29,605,324		26,791,491	
Financial investments and marketable securities	242,435		78,680	
Provisions for claims and losses and doubtful receivables (note 15b)	4,829,724		2,142,133	
Financial Charges		9,390,681		8,420,463
Interest on debt	7,792,767		7,008,142	
Other charges	1,597,914		1,412,321	
Income Taxes		11,286,829		10,356,075
Share of Losses of Affiliated Companies Accounted for by the Equity Method		260,581		480,662
Extraordinary Items (note 16)		5,666,495		6,085,559
Net Income Attributable to		22,444,776		20,985,769
Group interests	21,821,575		20,190,544	
Minority interests	623,201		795,225	
Total		592,004,451		500,445,483

Income				
Sales and Operating Revenues (note 14)		577,672,737		486,720,608
Oil, gas, and petroleum products	453,191,986		376,001,432	
Chemicals and paints	105,369,806		94,337,635	
Other products	5,079,184		4,357,742	
Other operating revenues	14,031,761		12,023,799	
Financial Revenues		8,902,275		7,981,631
Investment income	1,010,320		748,111	
Share of profits of affiliated companies accounted for by the equity method	989,445		1,330,123	
Income from marketable securities	5,462,614		4,332,349	
Other financial revenues	1,439,896		1,571,048	
Extraordinary Items (note 16)		5,429,439		5,743,244
Total		592,004,451		500,445,483

Allocation of Profit	
Net Income Attributable to	
Group interests	21,821,575
Minority interests	623,201
Available for allocation	22,444,776
Dividend	12,014,368
Bonuses to directors, officers, and senior staff and donations to the benevolent fund	474,434
Allocation to reserves and profit to be carried forward	9,332,773
Minority interests	623,201
Total	22,444,776

PETROFINA
NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Principles of Consolidation

a. Scope and General Principles

The consolidated balance sheet is prepared on the basis of the accounts as of December 31.

Companies in which we have more than a 50% interest have been fully consolidated. However, for companies in which we have joint control, proportional consolidation is applied. In order to simplify the accounts, small affiliates are omitted from consolidation where the total amount of capital employed, total assets and turnover represent less than 1% of the total for these same items shown in the previous year's consolidated balance sheet. The effect of the consolidation of these small affiliates on the fixed assets in the consolidated balance sheet would be less than 0.5%.

The entire assets and liabilities of subsidiaries in which there are minority interests have been incorporated in the consolidated accounts.

Minority interests in the capital and reserves of the consolidated subsidiaries have been calculated in proportion to their interest and included under a separate heading on the liabilities side of the balance sheet. Minority interests in the net income are shown separately in the statement of income.

For 1989, the main change to the consolidated balance sheet is the introduction of proportional consolidation.

Companies in which we hold a 50% interest, such as Montefina, Finamont, Lindsey Oil Refinery, previously consolidated using the equity method are now consolidated proportionally.

Companies such as Finaneste, UIC Insurance Co. Ltd., Raffineria di Roma and Zaire Fina, where our interest exceeds 50%, but which are jointly held with a limited number of shareholders, are also proportionally consolidated and are no longer fully consolidated.

This method takes into account only those assets, liabilities, expenditure and income which relate to the Group's interests. Consequently minority interests are excluded.

The impact of this change in procedure is explained, when significant, in the various notes accompanying the consolidated balance sheet.

The balance sheets of foreign companies have been standardized for consolidation purposes.

For the purpose of consistency the balance sheet of American Petrofina, as regards its exploration and production activities, has been restated according to the full cost method, which also applies to all other relevant exploration and production companies.

Consequently, and because petroleum and petrochemical product inventories are valued on a consistent basis, the consolidated accounts give a true and fair view of the Group's situation.

Our investments of between 20% and 50%, as well as the small affiliates omitted from full consolidation, are included in the consolidated balance sheet using the equity method if the Group's share in their equity exceeds 10 million Belgian francs; otherwise they are entered in the parent company's accounts at book value.

In the consolidated statement of income the equity method includes Petrofina's interest in the profit or loss of the companies concerned, with appropriate adjustments to the value of the investment in the consolidated balance sheet.

Investments accounted for by the equity method, and other long-term investments, are included in the fixed assets under the heading Investments.

The consolidated statement of income includes the costs and revenues of Petrofina and those of the consolidated subsidiaries after eliminating intercompany transactions.

b. Translation of Foreign Accounts into Belgian Francs

Current assets, long-term receivables, current and long-term liabilities and provisions are expressed at the exchange rates ruling at the end of the financial year.

Fixed assets and shareholders' equity of foreign subsidiaries are valued at historical rates.

By historical rates we mean the average official exchange rates for the year in which the relevant fixed assets or shareholders' equity of subsidiaries are consolidated for the first time.

The profit and loss accounts of foreign subsidiaries are valued at the average exchange rates prevailing during the financial year.

The historical rate method avoids consolidated balance sheet valuation of foreign subsidiary assets being affected by currency fluctuations which may be unrepresentative of the true value of these investments. It is designed mainly to allow for consistent evaluation of fixed assets.

The differences arising from the simultaneous application of the two methods of conversion (historical rates for shareholders' equity and fixed assets, and the exchange rates ruling at the end of the financial year for other accounts) are entered in a monetary realignment account, the balance of which is shown in the consolidated balance sheet.

As mentioned above, depreciation is calculated using historical rates for the fixed assets concerned.

Sales or abandonment of fixed assets during the year have been accounted for using historical rates.

The difference in value between these sold or abandoned fixed assets at historical rates and at year-end rates is transferred to the monetary realignment account. For the 1989 financial year, that account decreased by 294 million Belgian francs.

Capital expenditure occurs throughout the accounting period and is mainly financed from the cash flow for the year, so it is valued at the average rate for the year.

The difference arising from accounting at average rates and year-end rates is also transferred to the monetary realignment account.

In 1989, the use of average rates for capital expenditure and net income resulted in an increase in the monetary realignment account of 599 million Belgian francs.

The change in the monetary realignment account for the financial year 1989 can be summarized as follows (million Belgian francs):

Credit balance at December 31, 1988		10,123
Exchange rate movements		
1. in 1989 on the accounts as at December 31, 1988		807
2. on sales and abandonment of fixed assets		−294
3. using average exchange rates in 1989:		
a. for capital expenditure	2,567	
b. for the profit and loss account	−1,968	
		599
4. from deconsolidation in 1989		−159
Credit balance at December 31, 1989		11,076

The cumulative analysis of the monetary realignment fund for fixed assets, accumulated depreciation and shareholders' equity of foreign subsidiaries, i.e. the difference between the historical rates and year-end exchange rates at the end of the last three financial years, is as follows (in millions of Belgian francs):

	1987	*1988*	*1989*
Gross fixed assets	+72,240	+47,390	+64,150
Accumulated depreciation	−34,750	−24,403	−33,730
Monetary realignment of net fixed assets	+37,490	+22,987	+30,420
Shareholders' equity of subsidiaries	−22,775	−12,864	−19,344
	+14,715	+10,123	+11,076

c. *Exchange Gains and Losses*

Exchange gains and losses, both for the parent company and subsidiaries, arise from their dealings with foreign countries. These gains and losses, which were small in 1989, are shown in the profit and loss accounts of individual companies and consequently in the consolidated statement of income.

The foreign currency accounts of both the consolidated and non-consolidated balance sheets of the parent company are shown at the average rate of official exchange rates as of the end of the year.

2. Fixed Assets

a. Breakdown by Operating Activity

	End of 1989 After Depreciation (Million BF)		*End of 1988 After Depreciation (Million BF)*	
Exploration and Production	102,601	45.4%	107,055	50.4%
Refining and Petrochemicals	59,250	26.2%	49,737	23.4%
Marketing	31,670	14.0%	27,205	12.8%
Transportation	3,175	1.4%	3,460	1.6%
Others	29,488	13.0%	25,003	11.8%
	226,184	100.0%	212,460	100.0%

b. Geographical Breakdown

	End of 1989 After Depreciation (Million BF)		*End of 1988 After Depreciation (Million BF)*	
Belgium	32,655	14.4%	23,427	11.0%
Other European countries	81,059	35.8%	79,175	37.3%
Africa	7,458	3.3%	7,537	3.5%
America	101,013	44.7%	98,060	46.2%
Transportation	3,175	1.4%	3,460	1.6%
Asia-Oceania	824	0.4%	801	0.4%
	226,184	100.0%	212,460	100.0%

c. Methods of Valuation

Consolidated subsidiaries consistently use the same methods of valuation. As stated in note 1a above, American Petrofina's capital expenditure method of accounting for exploration and production has been restated according to the full cost method.

As a general rule, depreciation on fixed assets is calculated on a straight line basis using rates established according to the economic lifespan of the assets concerned.

Accelerated depreciation can be used as and when circumstances dictate.

For exploration and production, the valuation method used is that of full cost, whereby all the costs relating to exploration and development are capitalized. In each country, capitalized costs are then depreciated within each subsidiary, by using the unit of production method based on estimated reserves.

d. Changes in Intangible Assets

	Million BF
Expenditure capitalized in the year	1,914
Less:	
Depreciation for the year	(2,385)
Transfer of capitalized interest to tangible assets	(1,513)
Plus:	
Impact of proportional consolidation	202
Other changes	584
Resulting in a net reduction in intangible assets	(1,198)

e. Changes in Gross Property, Plant and Equipment

	Million BF
Capital expenditure in the year	40,777
Less:	
The gross book value of assets sold	(3,603)
Deconsolidations	(69)
The gross book value of abandoned assets	(2,844)
Plus:	
New consolidations in the year	1,467
The impact of proportional consolidations	11,270
The transfer of capitalized interest	2,330
Resulting in a net increase in gross property, plant and equipment	49,328

f. Changes in Accumulated Depreciation, Depletion and Amortization

		Million BF
Depreciation, depletion and amortization for the year		29,679
Current depreciation	28,231	
Extraordinary depreciation	1,448	
Less:		
Writing back of depreciation and depletion		
• on assets sold		(1,509)
• on abandonments		(1,625)
Deconsolidations		(34)
Other changes		(78)

	Million BF
Plus:	
Transfer of capitalized interest	817
New consolidations	1,176
Impact of proportional consolidations	6,341
Resulting in a net increase in accumulated depreciation, depletion and amortization	34,767

g. Intangible Assets

	Million BF
Patents and licenses	413
Goodwill	1,995
Other intangible assets	969
	3,377

h. Property, Plant and Equipment

	Gross	Depreciation	Net (in Million BF)
Land and buildings	32,491	(12,445)	20,046
Plant and equipment	117,277	(68,654)	48,623
Expenditure on exploration and production of hydrocarbons	256,804	(158,135)	98,669
Furniture and vehicles	8,169	(5,091)	3,078
Tanker fleet	1,805	(1,482)	323
Work in progress	15,429	(47)	15,382
Leasing	7,595	(5,913)	1,682
Other property, plant and equipment	2,084	(604)	1,480
	441,654	(252,371)	189,283

i. Investments

	Million BF	
Investments in subsidiary companies	3,423	
Advances	508	
		3,931
Investments in affiliated companies	4,435	
Advances	2	
		4,437
Other shares	2,558	
Other advances	48	
Deposits and guarantees	840	
		3,446
		11,814

j. Receivables of More Than One Year

	Million BF
Arising from the sales of goods and services	2,293
Investments of technical reserves for insurance	15,937
Others	3,479
	21,709

3. Inventories

	Million BF
Raw materials, consumables	16,971
Products in process of manufacture and finished products	28,466
Goods	547
	45,984

Inventories of petroleum products are valued at cost or at net realizable value, whichever is the lower. The latter is determined on a LIFO basis.

As at December 31, 1989, the replacement value of inventories exceeded the book value by about 10 billion Belgian francs. As at December 31, 1988, the replacement value of inventories exceeded the book value by 5 billion Belgian francs.

4. Marketable Securities

	Million BF
Fixed yield securities	8,673
Term deposits	1,295
	9,968

Fixed yield securities are valued at cost or at net realizable value, whichever is lower.

Foreign currency term deposits are valued on the basis of exchange rates at December 31.

5. Prepaid and Deferred Charges and Accrued Income

	Million BF
Accrued income	1,077
Charges relating to subsequent years	2,559
Difference of valuation on guarantees and other financial commitments	735
	4,371

6. Share Capital

At December 31, 1989, the capital of Petrofina S.A. stood at 40,328,184,172 Belgian francs (represented by 21,660,445 shares), an increase of 2,817,453,646 Belgian francs following:

Issue of 150,000 shares reserved for Group personnel at 9,000 Belgian francs (of which 1,862 Belgian francs is share capital and 7,138 Belgian francs share premium)	279,300,000
Issue of 1,344,196 shares at 11,000 Belgian francs, at the rate of one new share for every 15 shares held (of which 1,862 Belgian francs is share capital and 9,138 Belgian francs share premium)	2,502,892,952
Exercise of 18,937 warrants related to the bond issues of 1986 and 1987	35,260,694

7. Share Premium

Amounted to 13,609,041,002 Belgian francs, or an increase of 13,476,788,794 Belgian francs compared with December 31, 1988, following the operations described under the heading Share Capital:

Issue of 150,000 shares to Group personnel	1,070,700,000
Public issue of 1,344,196 shares	12,283,263,048
Exercise of 18,937 warrants	122,825,746

8. Reserves and Profit Carried Forward

	Million BF
Situation at December 31, 1988	80,635
Net income for 1989	21,822
Changes arising from consolidation and other reserves	(401)
Proposed distribution	(12,489)
Situation at December 31, 1989	89,567

9. Minority Interests at December 31, 1989

	Million BF
Situation at December 31, 1988	7,644
Profits and losses for the year	623
Dividend distributed to minority interests	(360)
Changes in minority interests from newly consolidated subsidiaries	(1,504)
Other variations	82
Situation at December 31, 1989	6,485

10. Provisions

	Million BF
Provisions for deferred taxes:	

In some countries, use can be made of accelerated capital allowances, which are higher than book depreciation. This results in a temporary reduction of the current tax burden for which companies concerned have allocated a corresponding provision. It has been established along the lines of international accounting standards and on the basis, amongst others, of a recent administrative interpretation of an existing national legislation, that the provision for deferred taxes was overvalued by 5.2 billion BF compared with the future tax charge.

The provision for deferred taxes was therefore adjusted to reflect the above tax situation.

Situation at December 31, 1988	29,477
Currency movements	(650)
Adjustment of the provision	(5,199)
Utilized in 1989	(633)
Situation at December 31, 1989	22,995

11. Debt of More Than One Year

	Million BF
Analysis by maturity:	
1991	12,203
1992	1,236
1993	6,122
1994	6,283
1995	3,148
1996	3,766
1997	184
later	1,367
	34,309

	Million BF
Analysis by currency:	
Belgian francs	8%
Swiss francs	1%
US dollars	80%
Deutsche mark	1%
Pound sterling	5%
Italian lire	1%
French francs	3%
Other currencies	1%

(This analysis takes swap transactions into account.)

12. Debt of Less Than One Year

	Million BF
Long-term debt maturing in 1989	3,327
Financial debt	28,859
Accounts payable	43,601
Other debts	28,458
Proposed distribution for approval by the Annual General Meeting of Shareholders of May 11, 1990	12,489
	116,734

The other debts include:

Debts and provisions for salaries and social security contributions	4,040
Duties and taxes on products	9,537
Taxes payable	10,218
Other debts	4,663
	28,458

13. Prepaid and Deferred Credits

	Million BF
Expenses incurred in 1989 but payable at a later date	2,894
Income chargeable to subsequent years	2,085
	4,979

14. Sales and Operating Revenues

a. Sales (Million BF)

	Petroleum Products	*Chemicals Paints*	*Other Products*	*Other Operating Revenues*
Europe	300,887	71,078	3,011	10,634
United States	138,569	34,269	2,066	2,704
Other areas	13,736	23	2	694
	453,192	105,370	5,079	14,032

On the credit side of the statement of income, the heading Other Products refers to sundry sales in service stations and sales of products other than petroleum, chemicals and paints in consolidated companies.

b. Other Operating Revenues

The heading Other Operating Revenues refers mainly to operations carried out under contract on behalf of third parties, rents, patents and licenses, revenues from warehousing, transportation, car parks, insurance and sundry commissions:

	Million BF
Operations under contract on behalf of third parties	1,834
Transportation	2,475
Rents	2,411
Other services	1,172
Other operating revenue	6,140
	14,032

15. Expenses

	Million BF
General operating expenses	
Various goods and services	34,616
Personnel costs	28,112
Other operating expenses	3,743
	66,471
Provisions for claims and losses and doubtful receivables	
Technical provisions for insurance	3,625
Other provisions	1,205
	4,830

16. Extraordinary Items

	Million BF
Extraordinary charges:	
Group insurance premium to fully finance the future pensions of personnel of Petrofina and its Belgian affiliates, to provide an income equal to one sixtieth of their last estimated final salary, for each year of service. The premium is calculated on the basis of an estimated salary at retirement replacing the previous method which used the current salary.	1,843
Accelerated depreciation on certain refining and petrochemical assets, mainly depreciation of additional sundry costs totally written off within the year associated with new investments.	1,672
Write down of certain exploration and production assets	732
Provisions for reorganizations	441
Costs related to the capital increase and sundry charges	978
	5,666

(Continued on next page.)

Extraordinary revenues:

Writeback of provisions for deferred taxes (see note 10)	5,199
Other extraordinary revenues	230
	5,429

17. Consolidated Source and Application of Funds Statement

	Million BF	
Source of funds		
Profit		
Group share	21,822	
Minority share	623	
		22,445
Depreciation, depletion and amortization		
Current	29,605	
Extraordinary	2,459	
Provisions: allocation for the year	(1,245)	
		30,819
Cash flow		53,264
Sales of assets		2,157
Increase of share capital		16,295
Increase of minority interests		194
		71,910
Application of funds		
Investments for the year		
Property, plant and equipment	40,777	
Intangible assets	1,914	
Investments	4,203	
		46,894
Dividends and bonuses—Group	12,489	
Dividends—Minority interests	360	
		12,849
Increase in long-term receivables (excluding currency movements)		2,504
Reduction in long-term debt (excluding currency movements)		2,763
Increase in working capital		6,900
		71,910

Note: These figures do not reflect the effect of new consolidations.

18. Remuneration of Directors, Managers and Senior Staff

In 1989, the payments made to executives responsible for daily management (five executive directors and six senior vice-presidents) and to the managing directors of the main subsidiaries (22 managing directors) amounted to 281,294,104 Belgian francs. Under the profit-sharing scheme, the statutory bonus for 1989 amounts to 474,433,954 Belgian francs. In accordance with article 34 of the by-laws, these are shared by the directors, managers and senior staff. The bonus paid to members of the Board and the six senior vice-presidents amounts to 127,402,000 Belgian francs.

That of other members of the management, senior staff and honorary directors amounts to 93,835,000 Belgian francs.

A donation of 94,886,791 Belgian francs was made to the Benevolent Fund.

19. Guarantees and Other Commitments

		Million BF
Trade guarantees		10,272
Guarantees for non-consolidated subsidiaries		774
Liens and encumbrances		165
Outstanding bills of exchange		39
Forward financial operations		369
Currencies receivable	10,768	
Currencies payable	10,399	

APPENDIX C

Checklist for Comparison of Generally Accepted Auditing Standards (GAAS) in the United States With Auditing Standards in Belgium

General Information	Answer	Comments
1. Is a primary purpose of an audit—		
a. To attest to information used by investors, creditors, etc.?	Yes	
b. To satisfy statutory requirements (for example, the Companies Act)?	Yes	
c. For tax purposes?	Yes	
2. A. The United States has ten generally accepted auditing standards including general standards, standards of field work, and standards of reporting.	Yes	

Notes:

Checklist was completed from the perspective of performing a local audit, *not* a referral audit.
AU numbers refer to sections in the *Codification of Statements on Auditing Standards*, unless otherwise noted.
This checklist does not include the latest GAAS pronouncements issued in the United States.

General Information	Answer	Comments
Those standards and their interpretations constitute U.S. generally accepted auditing standards, which have been published in *Codification of Statements on Auditing Standards*. Do generally accepted auditing standards exist in Belgium?		
B. If so, are they published?	Yes	
C. If auditing standards exist in Belgium, are they similar to U.S. standards?	Yes	2C. The auditing standards are fairly similar, but there are some differences.
D. If not, what are they?		
3. Who is responsible for promulgating auditing standards (for example, the profession, a governmental body, etc.)?	See Comment	3. The Belgian Institut des Réviseurs d'Entreprises (IRE)

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
4. Do auditors confirm receivables? (AU 331)	No	✓			4. Recommendation issued by the IRE.
5. Do auditors observe inventory counts? (AU 331)	No	✓			5. Recommendation issued by the IRE.
6. Do auditors receive written representations from management? (AU 333)	No		✓		6. Predominant practice for international firms and minority practice for local firms.
7. Do auditors receive written representations from management's legal counsel? (AU 337)	No	✓			

8. A. Do auditors prepare and maintain working papers? (AU 339)	Yes. IRE	✓	
B. If so, do they include a written audit program outlining procedures to be performed? (AU 339)	Yes. IRE	✓	
9. Do auditors obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing, and extent of tests to be performed? (AU 319)	Yes. IRE	✓	
10. A. Do auditors communicate reportable conditions in the internal control structure to the audit committee? (AU 325)	No	✓	10A. The auditors communicate material weaknesses in their report to the annual general meeting and comment on this in their management letter.
B. If so, is the communication documented? (AU 325)			
11. In obtaining evidential matter, does the auditor apply either statistical or nonstatistical procedures? (AU 350)	Yes. IRE	✓	
12. Is the auditor responsible for designing the audit to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements? (AU 316)	Yes	✓	12. The auditor must take into account the possibility of fraud. The audit shall be organized in such a way that the bedrijfsrevisor has a real chance to detect material errors in the annual accounts caused by fraud. One cannot expect each fraud to be detected and the bedrijfsrevisor is not obliged to trace it.
13. A. Does the auditor perform procedures to identify related-party transactions and their	Yes. Law of July 17, 1975	✓	

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
effect on the financial statements? (AU 334)					
B. If so, list the procedures.					13B. Each incorporated company must utilize the minimum standard chart of accounts, which calls for related-party transactions to be separately identified.
14. Does the auditor consider the adequacy of cutoff procedures to ensure that movements into and out of inventories are properly identified in the accounting records? (AU 313)	Yes. Law of July 17, 1975	✓			
15. A. Are specific auditing procedures applied to transactions occurring after the balance-sheet date? (AU 560)	Yes	✓			
B. Are other auditing procedures applied to ascertain the occurrence of subsequent events that require adjustment to or disclosure in the financial statements? (AU 560)	Yes. IRE	✓			
16. The concept of "joint auditors" in certain countries (e.g., U.K., Canada, and Australia) is that two auditors or audit firms jointly audit the financial statements of a company and issue a single report signed by the two firms. This practice is not	Yes		✓		

generally followed in the United States. Does the concept of "joint auditors" exist in Belgium?			
17. When a principal auditor is reporting on financial statements that include one or more subsidiaries, divisions, branches, or investees (AU 543):			
A. Must the principal auditor assume responsibility for the work of the other auditor as it relates to the principal auditor's opinion?	Yes	✓	17A,B. Recommendation issued by the IRE.
B. May the principal auditor decide not to assume that responsibility by making reference to the other auditor and indicating the division of responsibility?	No	✓	
18. A. Is there a standard form of auditor's report? (AU 508)	No	✓	18A. The contents are regulated by the Companies Act and the IRE.
B. List the circumstances that require a departure from the standard report and indicate the type of report required. (AU 508)			18B. Any material departure from the requirements of the Companies Act (and the Law of July 17, 1975) requires an "except for" statement regarding compliance with it; other qualifications are the adverse opinion and the disclaimer of opinion.
19. A. Does the auditor's report require an explanatory paragraph for a change in accounting principles or in the method of their application? (AU 508)	Yes. Law of July 17, 1975	✓	19A. Also disclosed in the annual accounts.

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
B. If not, does it imply that either consistency exists or the financial statements disclose the inconsistency?					
20. A. Is the auditor's report dated as of the last day of fieldwork? (AU 530)	No			✓	
B. If not, what date is used?	See Comment				20B. Predominant practice is to use the date of the report signing, which may not precede the date of approval by the directors.
21. To express an opinion, must the auditor be independent? For the purpose of this checklist, independence is defined as not having a financial interest in or connection with the client. (Code of Professional Conduct, Rule 101 and its interpretations)	Yes. IRE	✓			
22. Please describe any standards for Belgium for which there are no corresponding U.S. standards.					22. None

APPENDIX D

Checklist for Comparison of Generally Accepted Accounting Principles (GAAP) in the United States With Accounting Principles in Belgium

General Information	Answer	Comments
1. Are there generally accepted accounting principles in Belgium? If so, are they codified?	Yes	1. By law and advice issued by the Board of Generally Accepted Accounting Principles.
2. Who is responsible for promulgating accounting principles (for example, the profession, a governmental body, etc.)?	See Comment	2. The government, on advice of the Board of Generally Accepted Accounting Principles.

Notes:

References are to sections in *FASB Current Text*, unless otherwise noted.
This checklist does not include the latest GAAP pronouncements issued in the United States.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
3. Are assets and liabilities recorded on the historical cost basis?	Yes	✓			
4. Are interest costs, incurred while activities that are necessary to get an asset ready for its intended use are in progress, capitalized as part of the historical cost of an asset? (I67)	Yes		✓		
5. A. Is a general revaluation (either upward or downward) of assets permitted? (D40)	Yes		✓		
B. If so, define the basis.					5B. Fair value.
6. Are nonmonetary transactions that culminate an earnings process accounted for on the basis of the fair market value of the assets involved when that value is determined within reasonable limits? (N35)	Yes		✓		
7. Is revenue recognized when it is earned and its realization is reasonably assured (rather than when money is received)? (Statement of Financial Accounting Concepts No. 5)	Yes	✓			
8. Are costs recorded when incurred rather than when money is paid? (Statement of Financial Accounting Concepts No. 5)	Yes	✓			

9. A. Are consolidated financial statements required when one company has control over another company? (C51)	Yes	✓	9A. See paragraph 58 of text.
B. Is control usually indicated by ownership of over 50 percent of the outstanding voting shares? If not, how is control indicated?	No	✓	
10. A. Are there instances when an entity would not be consolidated even though control is present? (C51)	Yes	✓	
B. If so, list them.			10B. In certain circumstances, when the consolidation would conflict with the fundamental principle of a true and fair view, a subsidiary will not be consolidated: • If the activities of a company are too divergent • Subsidiaries with a de facto control • Subsidiaries with control restrictions The exceptions must be interpreted very strictly. In the preceding cases the subsidiaries are accounted for by the equity method.
11. If consolidation is not otherwise appropriate, is the equity method used for unconsolidated subsidiaries, corporate joint ventures,	Yes	✓	

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
and other investees, if the investments give the investor the ability to exercise significant influence over the investees' operating and financial policies? (I82)					
12. Are there two methods of accounting for business combinations—the pooling-of-interests method and the purchase method? (B50)	Yes	✓			12. Purchase method is the predominant practice.
13. Is the method used to account for a business combination disclosed? (B50)	Yes	✓			
14. A. Do criteria exist for treatment of business combinations as a pooling of interests? (B50)	No			✓	
B. If so, list the criteria.					
15. A. Is goodwill arising from a business combination accounted for as an asset? (I60)	Yes	✓			
B. If so, is it amortized as a charge to income over the period estimated to be benefited?	No	✓			15B. Amortization over a period not exceeding five years. If a longer period is chosen, it must be disclosed in a footnote.
16. Are the following disclosures made for related-party transactions: (R36)					
a. The nature of the relationship?	Yes	✓			
b. A description of the transactions for the periods presented?	Yes	✓			

c. The amounts of the transactions for the periods presented?	Yes	✓	
d. The amounts due to or from related parties at the balance-sheet date?	Yes	✓	
17. Is an estimated loss from a loss contingency accrued only if it is probable that an asset has been impaired or a liability incurred and the amount of loss can be reasonably estimated? (C59)	Yes	✓	
18. If a loss contingency is not accrued because both conditions for accrual listed in question 17 are not met, is disclosure of the contingency required when there is at least a reasonable possibility that a loss may have been incurred? (C59)	Yes	✓	
19. Are guarantees of the indebtedness of others or other loss contingencies disclosed in financial statements even though the possibility of loss may be remote? [In the United States, guarantees are usually disclosed as loss contingencies even if the possibility of loss is remote.] (C59)	Yes	✓	
20. Are the following items disclosed in a public enterprise's financial statements for each industry segment: (S20)			
a. Sales to outsiders and intersegment sales?	No		✓
b. Operating profit or loss?	No		✓

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
c. Identifiable assets and related depreciation, depletion, and amortization expense?	No			✓	
d. Capital expenditures?	No			✓	
e. Equity in net income and net assets of unconsolidated subsidiaries and other investees?	No			✓	
f. Effect of a change in accounting principle?	No			✓	
21. A. Are there any requirements or recommendations to disclose the effects of inflation? (C28)	No			✓	21A. Not prohibited but never applied.
B. If so, list the disclosures required.					
22. Are assets segregated into current and noncurrent classifications with a total for current assets presented? (B05)	Yes	✓			
23. A. Are noncurrent assets those not expected to be realized within one year or the current operating cycle? (B05)	Yes	✓			
B. If not, how are noncurrent assets defined?					
24. A. Is an allowance established for uncollectible receivables? (C59)	Yes	✓			
B. If so, what is the basis (e.g., percentage of sales, aging of receivables, etc.) for calculating the allowance?					24B. The allowance is estimated by the board of directors.

25. Are receivables and payables, not arising in the normal course of business or subject to normal trade terms, recorded at an amount that takes imputed interest into account? (I69)	Yes	✓	
26. A. Is inventory stated at the lower of cost or market (or net realizable value)? (I78)	Yes	✓	
B. If not, how is inventory stated?			
C. Is the basis disclosed?	Yes	✓	
27. Does cost for inventory purposes include— (I78)			
a. Materials?	Yes	✓	
b. Direct labor?	Yes	✓	
c. Factory overhead?	Yes		✓
d. If the answer to *c* is yes, is an allocable share of all factory overhead included?	Yes		✓
28. A. Are the following cost methods permitted for reporting purposes: (I78)			
a. First-in, first-out (FIFO)?	Yes	✓	
b. Last-in, first-out (LIFO)?	Yes		✓
c. Average cost?	Yes	✓	
B. Are the same methods permitted for tax purposes?	Yes	✓	
29. Is the inventory costing method used disclosed? (I78)	Yes	✓	
30. A. Are fixed assets depreciated over their estimated useful lives by systematic charges to income? (D40)	Yes	✓	

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
B. If so, is an accumulated depreciation account used?	Yes	✓			
31. Are disclosures made of: (D40)					
a. Depreciation expense for the period?	Yes	✓			
b. Balances of major classes of depreciable assets?	Yes	✓			
c. The methods used to compute depreciation for the major asset classes?	Yes	✓			
d. Accumulated depreciation, either by major class of assets or in total?	Yes	✓			
32. A. Do criteria exist for classifying leases as operating leases? (L10)	Yes	✓			
B. If so, list the criteria and disclosure requirements.					32B. See paragraph 75 of text.
33. A. Do criteria exist for classifying leases as other than operating leases for the lessor and lessee? (L10)	Yes	✓			
B. If so, list the criteria, type of lease, and disclosure requirements.					33B. See paragraph 75 of text.
34. Are liabilities segregated into current and noncurrent classifications with a total for current liabilities presented? (B05)	Yes	✓			

35. A. Are noncurrent liabilities those whose liquidation is not expected to require the use of current assets or the creation of current liabilities? (B05)	Yes	✓		
B. If not, how are noncurrent liabilities defined?				
36. For notes payable, is disclosure made of— (C32)				
a. Interest rates?	No		✓	
b. Maturities?	Yes	✓		
c. Assets pledged as collateral?	Yes	✓		
d. Covenants to reduce debt?	No		✓	
e. Minimum working capital requirements?	No		✓	
f. Dividend restrictions?	No		✓	
37. A. For long-term construction-type contracts, are the percentage-of-completion and completed contract methods used? (C04)	Yes	✓		
B. If so, what are the criteria for determining the method to be used?				37B. Each company makes its own decision regarding which method to apply.
38. A. Are research costs charged to expense when incurred? (R50)	Yes	✓		38A,B. See paragraphs 76 and 77 of text.
B. Are such costs disclosed?	Yes	✓		
39. A. Are development costs charged to expense when incurred? (R50)	Yes	✓		39A. Capitalization is possible, but the maximum amortization period is five years.
B. Are such costs disclosed?	Yes	✓		
40. A. In the United States, events and transactions are presented	Yes	✓		

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
in the income statement as extraordinary items when they are unusual in nature and are of the type that would not reasonably be expected to recur in the foreseeable future. Do similar criteria for identifying extraordinary items exist in Belgium? (I17)					
B. If not, what are the criteria?					
41. Are material events or transactions that are unusual in nature or expected to occur infrequently, but not both (and thus do not meet the criteria for classification as extraordinary), shown as a separate component of income or expense? (I22)	Yes	✓			
42. A. Are disclosures required for—					
a. Extraordinary items? (I17)	Yes	✓			
b. Material events or transactions not classified as extraordinary items? (I22)	No	✓			
c. Disposal of a segment of a business? (I13)	Yes	✓			
B. Indicate the financial statement presentation of these items.	See Comment				42B. Items are only classified as extraordinary if they are not related to the company's normal operations.

43. A. Are pension costs provided for covered employees over the term of employment? (P16)	Yes	✓		43A,B. See paragraph 78 of text.
B. If so, do they include charges for costs assigned under the actuarial method used to years prior to the plan's inception?	Yes	✓		
44. A. Are specific disclosures required relating to pension plans? (P16)	Yes	✓		
B. If so, list them.				44B. See paragraph 78 of text.
45. A. When accounting income and taxable income differ, are deferred income taxes recorded for temporary differences (as opposed to permanent differences)? (I25)	No		✓	45A. For timing differences identified as contingent tax assets and liabilities, only foot-note disclosure is needed. Recording is permitted in consolidated accounts.
B. If so, are deferred taxes provided for all temporary differences (as opposed to only those meeting certain criteria)?				
46. A. Are deferred taxes determined on the basis of current tax rates? (I25)	No		✓	46A,B. See paragraph 79 of text.
B. If not, on what basis?				
47. A. Is specific information related to income taxes required to be disclosed? (I25)	Yes	✓		
B. If so, list the requirements.				47B. Some of the required information is as follows: • Analysis of income taxes distinguishing between current and prior years

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
					• Effect of extraordinary items on current year income tax • Status of deferred taxes at year end
48. A. Are operating losses reported on the income tax return allowed to be carried back to earlier periods? (I25)	No			✓	
B. If so, are the tax effects of a loss carryback included in the income in the period?					
49. A. Are operating losses reported on the income tax return allowed to be carried forward? (I25)	Yes	✓			
B. If so, are the tax effects of a loss carry-forward included in income in the period realized?	Yes	✓			
50. Are financial statements of a foreign entity prepared for consolidation purposes measured in the currency of the primary economic environment in which the entity operates? (F60)	No	✓			
51. Are all elements of financial position translated at current exchange rates? (F60)	No	✓			
52. A. Are translation adjustments reported separately? (F60)	Yes	✓			

B. Are they accumulated in a separate component of stockholders' equity until ultimately realized?	No		✓	
C. Is there an analysis of the changes during the period in the component of stockholders' equity relating to translation adjustments?	No		✓	52C. See paragraph 81 of text.
53. A. Are gains and losses resulting from transactions denominated in a currency other than that of the environment in which the entity operates included in determining net income for the period in which the exchange rate changes? (F60)	Yes		✓	53A,B. See paragraphs 83 and 84 of text.
B. Is the aggregate transaction gain or loss included in determining net income for the period disclosed in the financial statements or notes?	Yes	✓		
54. Are gains or losses on foreign currency transactions that are intended to hedge a foreign currency commitment deferred and included in the related transactions? (F60)	Yes	✓		
55. What information is disclosed about foreign currency restrictions? (F60)	See Comment			55. Disclosure must be made of any significant restriction. There should also be disclosure of any write down which results from foreign currency restrictions.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
56. Are significant events arising subsequent to the balance-sheet date reflected in the financial statements or notes thereto? (C59)	Yes	✓			56. The Companies Act requires that a company's directors state that no significant events have arisen subsequent to the balance-sheet date. If any subsequent events have occurred, the financial statements must be modified.
57. Please list any standards for Belgium for which there are no corresponding U.S. standards.					57. None

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