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Dear Mr Enevoldsen

### **Adoption of IFRIC 12 Service Concession Arrangements**

We wish to comment on EFRAG's draft endorsement advice on IFRIC 12 Service Concession Arrangements.

We recognise that IFRIC 12 contains weaknesses. However, we agree with the majority of EFRAG members that these weaknesses are not of such significance as to warrant non-endorsement of IFRIC 12. In particular, we do not believe that any concerns over possible inappropriate accounting for *analogous* transactions are sufficient grounds to justify non-endorsement.

In our view there can be no doubt that application of IFRIC 12 will improve the understandability, relevance, reliability, and comparability of the financial statements of EU companies. Conversely, we believe that non-endorsement of IFRIC 12 would perpetuate the current wide diversity of practice and resulting lack of consistency and comparability of European financial statements in relation to the recognition and measurement of service concession arrangements. In this regard, it is in our view regrettable that the dissenting members of EFRAG have not explained in the reasons for their dissent in Appendix 1 of the draft endorsement advice exactly how in their view IFRIC 12 does not meet each of the criteria for EU endorsement laid down in the Regulation.

We therefore support EFRAG's recommendation that IFRIC 12 be adopted by the European Union.

Should you wish to discuss any aspect of this letter, please contact David Lindsell on +44 207 980 0106.

Yours faithfully

