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Mr Stig Enevoldsen, Chairman  
European Financial Reporting Advisory Group  
13-14 Avenue des Arts  
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Brussels

Our ref

28 February 2007

Dear Mr Enevoldsen

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

We appreciate the opportunity to comment on the draft endorsement advice of EFRAG on IFRIC 12 *Service Concession Arrangements*. This letter expresses the views of the international network of KPMG member firms. Whilst we normally do not respond to letters of draft endorsement advice by EFRAG, the divergence in views within EFRAG on this issue, raising the possibility of non-endorsement of IFRIC 12, has prompted us to comment in this instance.

In our view, the EFRAG should recommend non-endorsement only in cases when the perceived deficiencies in an IFRS or an IFRIC Interpretation are considered to outweigh the benefits of transparency and comparability that would be achieved from endorsement.

In the case of IFRIC 12, we understand some of the concerns of the EFRAG members who do not support endorsement. However, we note that many of the issues were raised with the IFRIC by its constituents and received appropriate consideration through IFRIC's due process. We do not believe that these concerns, when considered together, are sufficient that they outweigh the benefits of consistency and transparency that would be achieved from the application of IFRIC 12 in Europe. We therefore support the majority EFRAG position and the recommendation that IFRIC 12 should be endorsed.

If you would like to discuss our response further, please feel free to contact Terry Harding at +44 20 7694 8927 or Mary Tokar at +44 20 7694 8288.

Yours sincerely

KPMG IFRG Limited