



22.7/8/1

Mr Stig Enevoldsen  
Chairman  
EFRAG TEG  
13-14 Avenue desArts  
B-1210 Bruxelles

2 March 2007

Dear Sir, *Stig,*

RE: ENDORSEMENT OF IFRIC 12

BUSINESSEUROPE welcomes the opportunity to comment on the draft endorsement advice letter issued by EFRAG.

We would like to commend EFRAG for adding to its positive endorsement advice a very comprehensive basis for conclusions.

We share the view of EFRAG that IFRIC 12 should be supported as an appropriate interpretation of IFRS applicable to service concession arrangements included in IFRIC 12 scope. Although some of our members believe that existing IFRS, with or without the interpretation, are not suitable for what they believe would be a fair representation of the economic performance generated under service concession arrangements, BUSINESSEUROPE as a whole believes that IFRIC 12 represents a very valuable improvement in IFRS financial reporting.

We indeed believe that IFRIC 12 is welcome in providing accounting requirements which are designed on the basis of a sound analysis of the economic substance of various service concession arrangements and which are workable and easy to implement. In addition, we believe that the benefit of increased comparability within the concession industry is a significant improvement in financial reporting for this industry, and as such will benefit the European public interest.

For the reasons expressed above, we support EFRAG's positive endorsement advice.

We however share the concerns expressed by some EFRAG TEG members that some IFRS accounting requirements have been outstretched or interpreted in such a way (IAS 11 and IAS 39 requirements in particular) that IFRIC 12 could create confusion in areas different from service concession arrangements, if IFRIC 12 were to be applied by analogy to other facts and circumstances. We also concur with those EFRAG TEG members who believe that increased clarity in drafting is desirable to ensure that no



divergence in application of IFRIC 12 arises. We therefore believe that IFRIC should take IFRIC 12 back to its agenda in order to improve the drafting wherever clarifications or justifications are deemed necessary and limit the applicability of IFRIC 12 to service concession arrangements which meet IFRIC 12 scope criteria. The resulting amendment would be such as to imply no accounting change for entities having already applied IFRIC 12 to service concession arrangements in the meanwhile. We hence recommend EFRAG to undertake whatever action is needed directly with the IASB or as a support to the European Commission to convince the IASB or the IFRIC to undertake the appropriate effort.

We feel nevertheless that our concerns as expressed above do not warrant non-endorsement of IFRIC 12 by the EU, as we concur with the EFRAG conclusion that IFRIC 12 meets the criteria for adoption in the EU, since IFRIC 12 has been primarily issued in view of providing accounting guidance to service concession arrangements.

In addition, we would like to recommend EFRAG to modify the order in which appendixes to its letter appear. We indeed believe that the bases for conclusions should come first, as they explain how the final conclusion was reached by EFRAG. The whole set would also gain, we believe, in clarity and conciseness, if dissenting members were explaining how they depart from the bases for conclusions, instead of rewriting a different basis for conclusions of their own.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely, *Best regards*

*(original signed by)*  
Jérôme P. Chauvin  
Director, Legal Affairs Department