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International Financial Reporting Standards Interpretations Committee (IFRIC) Mr Robert Garnett 30 Cannon Street London EC4M 6XH

United Kingdom

Dear Bob

Comment Letter on IFRIC's Agenda Decision 'IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Reversal of disposal group impairment losses relating to goodwill'

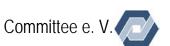
During its meetings in March and May 2010 the IFRIC discussed the issue of whether an impairment loss for a disposal group classified as held for sale can be reversed if it relates to the reversal of an impairment loss recognised for goodwill.

The IFRIC noted a potential conflict in the guidance of IFRS 5 and observed that the issue may not be resolved efficiently within the confines of existing IFRSs and the *Framework* and that is not probable that the Committee will be able to reach a consensus on a timely basis. The Committee decided not to add this issue to its agenda and recommended that the Board address the issue in a post-implementation review to IFRS 5.

Although we are aware that this decision will not be reconsidered at the Committee's meeting in July 2010 and constituents were not invited to comment on this agenda decision, we nevertheless would like to share the following concerns with you.

As stated in the staff paper for the March 2010 IFRIC-meeting (please refer to page 9 of paper 6B), it is believed that 'significantly divergent interpretations in practice as a result of lack of clarity of the guidance in IFRS 5' exist. This diversity is based on a potential conflict between the guidance in paragraph 22 and paragraph 23 of IFRS 5 relating to the recognition and allocation of the reversal of an impairment loss for a disposal group when it relates to goodwill.





Although there is strong evidence that diversity in practice is assumed to exist for this issue, the IFRIC will not develop an interpretation to address this diversity. While we understand and accept, that an interpretation may not be the appropriate measure to address the issue, we recommend to the IFRIC to include the issue in the Annual Improvements Process (cycle 2009-2011), instead. By doing so, the potential conflict in the guidance of IFRS 5 could be resolved. We submit this proposal since we consider the approach as proposed by the IFRIC not to be helpful for preparers.

The IFRIC proposes to recommend that the Board address this issue in a postimplementation review to IFRS 5 (for which the timing – as we understand – has not yet been determined and the outcome of which will be that the diversity in practice may be confirmed while an adequate solution for the issue upon completion of the review will still not be available). This proposal by the IFRIC we consider to be in conflict with its responsibilities and the scope of its work, which according to the IFRIC Due Process Handbook paragraphs 1 and 5 is as follows (emphasis added):

- 1 'The International Financial Reporting Interpretations Committee (IFRIC) assists the International Accounting Standards Board (IASB) in improving financial reporting through **timely identification**, discussion **and resolution of financial reporting issues** within the framework of International Financial Reporting Standards (IFRSs). ...'
- 5 'In the context of its requirements for due process, the IFRIC reviews newly identified financial reporting issues not specifically addressed in IFRSs or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance, with a view to **reaching a consensus on the appropriate treatment**.'

In this context we would like to bring to the IFRIC's attention that we have identified some additional issues and concerns with respect to IFRS 5, which we will further discuss in our August 2010 meeting before sharing them with you. Some of these issues you may consider to address in the 2009-2011 cycle of AIP; all issues not addressed via AIP should be considered for inclusion in the post-implementation review to IFRS 5.

If you would like further clarification of the issue set out in this letter, please do not hesitate to contact me.

With best regards

Guido Fladt AIC, Chairman