

IFRIC Draft Interpretation D18

This Comment Letter was sent by BDO Global Coordination B.V. on behalf of BDO International, to International Accounting Standards Board on 31 March, 2006:

Dear Sir,

**IFRIC Draft Interpretation D18, Interim Financial Reporting and Impairment**

We appreciate the opportunity to comment on the proposals of the International Financial Reporting Interpretations Committee ('IFRIC') to produce the above interpretation.

We support the IFRIC's efforts to clarify the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and on certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.

We believe there are other aspects that should also be clarified, e.g. the interpretation of materiality, the requirement to perform valuations of defined benefit pensions schemes, investment properties and other property, plant and equipment carried at valuation at the interim stage.

As regards materiality IAS 34(23) notes 'In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality should be assessed in relation to the interim period financial data.' IAS 34(25) notes 'Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure.'

IAS 8 requires material prior period errors to be corrected by retrospective restatement. This raises the question, if materiality is lower at the interim than at the year-end stage do you retrospectively adjust the interim financial statements for errors that are material in terms of the interim but which are not expected to be material at the year-end? If so, do you the reverse that restatement for the year-end financial statements? We believe a sensible approach would be to use expected year-end materiality figures in deciding whether or not to restate interim results for prior period errors under IAS 8. This could be supplemented with disclosure.

The wording of the consensus statement at paragraph 8 should more closely follow the actual wording of IAS 36, paragraph 124, and IAS 39, paragraphs 69 and 66; as set out in paragraphs 4 to 6 of the proposed interpretation. For example:

An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or in respect of a financial asset carried at cost. An entity shall not reverse through profit or loss an impairment loss recognised in profit or loss in a previous interim period in respect of an equity instrument classified as available for sale.

We would be pleased to discuss our comments and observations with you further if this would be helpful. Please contact Helen Thomson of BDO Global Coordination B.V. on +32 2 778 01 30.

Yours faithfully,

BDO Global Coordination B.V.

---