

31 March 2006

Robert Garnett
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH

commentletters@iasb.org

Dear Robert

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

Deloitte Touche Tohmatsu is pleased to comment on the draft Interpretation – D18 *Interim Financial Reporting and Impairment* (referred to as the draft Interpretation).

The draft Interpretation addresses a fundamental conflict between IAS 34 *Interim Financial Reporting* and other standards regarding reversal of impairments. The conflict arises because paragraph 28 of IAS 34 is both internally inconsistent and contradicts the impairment requirements in IAS 36 and IAS 39. Furthermore, the framework requires comparability of financial statements amongst different entities, and also states that measurement and display of the financial effect of like transactions should be carried out in a consistent way for different entities. As this requirement conflicts with IAS 34, we believe that the scope addressed should be wider than addressed in the draft Interpretation. The decision taken by the International Financial Reporting Interpretations Committee (IFRIC) to issue a narrow interpretation is, in our view, not ideal as a long term and sustainable solution.

However, as an interim solution we support this draft Interpretation.

We support the conclusion in the draft Interpretation that the wording in paragraph 28 of IAS 34, which requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, supports the conclusion that impairment losses recognized in an interim period for the specific items mentioned in the draft Interpretation should not be reversed in any later reporting period. To allow preparers effectively to apply different accounting policies for the items referred to in the draft Interpretation in their interim financial statements would, in our opinion, reduce comparability and detracts from the purpose of issuing financial statements in interim periods. In addition,

we note that interim financial statements will not usually be subject to the same degree of scrutiny by auditors as the annual financial statements. In certain situations this could create opportunities for abuse.

IAS 36 and IAS 39 preclude reversal of impairment on the basis that it is seldom, if ever possible to determine whether reversal is attributable to recovery of previous impairments or if it is related to other increases in fair value for those items included in this draft Interpretation. We therefore also support the statement set out in the basis for conclusions of the draft Interpretation, that the prohibitions on reversals of impairment losses on goodwill in IAS 36 and investments in equity instruments available for sale and financial assets carried at cost in IAS 39 should take precedence over IAS 34, which requires that the frequency of an entity's reporting should not affect the annual results.

We would also like to refer to Appendix B36 of IAS 34 which states that *“this standard requires that an entity apply the same impairment testing, recognition and reversal criteria at an interim date as it would at the end of its financial year”*. In our view, this statement supports use of the same accounting policies in interim financial statements as are applied in annual financial statements for impairments and reversal of impairments, and amplifies the anomaly in paragraph 28 which states that the frequency of reporting should not affect measurement of an entity's annual results.

Despite our support for the draft Interpretation, we remain of the view that it is not a sustainable solution in the long term. The conflicts between IAS 34 and other standards cannot be solved by IFRIC interpretations, but by an amendment or indeed a rewrite of IAS 34. We therefore encourage the IFRIC to request that the IASB take on a project to address IAS 34 in a principled manner.

If you have any questions concerning our comments, we would be pleased to discuss them.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Wild", written over a horizontal line.

Ken Wild
Global IFRS Leader