



Accounting Standards Board

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8 June 2007

Dear Sir and Madame

IFRS 8 - 'Operating Segments'

We are aware of the recent Motion for a Resolution in the European Parliament (EP) on the adoption by the European Commission of IFRS 8. We also understand that the vote on the Resolution has been postponed to the September 2007 Plenary Session of the EP and that the Commission will be carrying out an impact assessment on the standard.

In the light of the EP Motion and the concerns that have been expressed about IFRS 8, I convened a meeting of representatives of some of the major UK constituents (preparers, users, the major accounting firms and the profession) to discuss views as to how this situation could best be resolved.

From the meeting those attendees listed in the attachment to this letter agreed to the sending of the letter and expressed their support for it. Those agreeing to the letter include the 100 Group of Finance Directors of Companies in the UK, the Institute of Chartered Accountants in England and Wales, the Financial Services Authority, the UK Accounting Standards Board, the Quoted Companies Alliance and the Financial Reporting Council.

Although there are differing views on the merits of IFRS 8, we are of the view that it would generally be a matter of concern if IFRS as adopted by the European Union was to diverge from IFRS as published by the International Accounting Standards Board (IASB). We also believe that the concerns about IFRS 8 are illustrative of wider tensions which are emerging between the IASB's objectives of convergence with US GAAP and producing high quality financial reporting standards. Although convergence with US GAAP has been helpful to date it is not clear that this will continue to be the case in the future.

We wish to express our support for the benefits which would follow from a decision by the US to recognise IFRS as an acceptable accounting framework. It was noted that in recent announcements the US Securities and Exchange Commission (SEC) indicate that the prospects of achieving this recognition are now more favourable than they have ever been. A decision by the EU to diverge from "full IFRS" could adversely affect the prospects for recognition by the US and would make it more difficult for the EU to benefit from that recognition.

For these reasons, we believe that IFRS8 should be adopted by the EU with the proviso that a post-implementation review of it is carried out after a complete reporting season of its use. The review could be carried out by a single organisation or a combination of organisations with the necessary expertise such as standard setters, regulators, users' groups, preparers' groups or EFRAG.

It would be very helpful to secure the IASB's agreement to consider the findings of the review with a view to giving consideration to changing the standard, if the evidence demonstrated this was beneficial.

While those supporting this letter do not claim to represent the entire UK constituency, they are very broadly based and we hope that their suggestion could be seen as a constructive way forward in resolving the current difficulties.

Yours faithfully



Ian Mackintosh
Chairman

cc: David Tweedie, International Accounting Standards Board
Jon Cunliffe, HM Treasury
John Alty, Department of Trade & Industry
Jorgen Holmquist, European Commission
Pierre Delsaux, European Commission
Stig Enevoldsen, European Financial Reporting Advisory Group
Paul Koster, CESRfin

Supporters of the letter

Andy Simmonds
David Bloomfield
Peter Holgate
Alison Thomas
Richard Ackland
Paul Boyle
Ian Mackintosh
David Loweth
Andrew Lennard
Richard Thorpe
Edward Beale
David Littleford

Organisation

ICAEW and Deloitte
Unilever
PwC
PwC
100 Group
FRC
ASB
ASB
ASB
FSA
QCA
KPMG