

**Ms Francoise Flores
EFRAG
Square de Meeus 35
1000 Brussels
Belgium**

The IASB's Exposure Draft *Recoverable Amount Disclosures for Non-Financial Assets*

Dear Ms Flores,

Dear Francoise,

The European Securities and Markets Authority (ESMA) thanks you for this opportunity to contribute to EFRAG's due process. We are pleased to provide you with the following comments aimed at improving the decision-usefulness of financial statements and the transparency and enforceability of IFRSs.

ESMA has considered EFRAG's draft response on the IASB's Exposure Draft (ED) *Recoverable Amount Disclosures for Non-Financial Assets*, and like EFRAG, ESMA agrees with the proposed amendment to paragraph 130 of IAS 36 – *Impairment of Assets* and the proposed retrospective application. However, we believe that the proposal to delete the disclosure of the recoverable amount of the unit (or group of units) in IAS 36 paragraph 134(c) would remove important decision-useful information for investors.

ESMA acknowledges that the IASB clarified in IAS 36 paragraph BC 209(b) why it did not proceed with the proposal to require an entity to disclose the amount by which the recoverable amount exceeds the carrying amount of the cash-generating unit(s) (headroom). However, from ESMA's report on *European enforcers' view of impairment of goodwill and other intangible assets in the IFRS financial statements*¹ published in January 2013, it appeared that the sensitivity analysis was not disclosed in cases where the market capitalisation of the issuer was below the book value of the equity. The disclosures on sensitivity analyses required by IAS 36 rely on management judgement whether a reasonable change in the key assumptions would cause the cash-generating unit(s) carrying amount to exceed its recoverable amount.

Against this background, ESMA believes that the rationale explained in IAS 36 paragraph BC 209(b) should be revisited and, as a consequence, ESMA believes the IASB should retain the current requirement in IAS 36 paragraph 134 (c) to disclose the recoverable amount of the cash-generating unit(s).

¹ <http://www.esma.europa.eu/system/files/2013-02.pdf>



Furthermore, in order to achieve consistent application we would like to encourage the IASB to consider whether disclosures on sensitivity analyses (required by IAS 36 paragraphs 136(f)(i)-(iii)) should be required in all circumstances and not only when management considers that a reasonably possible change in a key assumption would lead to recognition of an impairment loss.

Please do not hesitate to contact us should you wish to discuss any of the issues we have raised.

Yours sincerely,

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Steven Maijoor
Chair

European Securities and Markets Authority

A handwritten signature in blue ink, appearing to be 'Julie Galbo', written over a light blue circular stamp.

Julie Galbo
Chair

Corporate Reporting Standing Committee
European Securities and Markets Authority