

Jörgen Holmquist
Director General
European Commission
DG Internal Market and Services

[dd Month] 2007

Subject: Assessment of objectivity and balance of EFRAG's endorsement opinion on IAS 23 – Borrowing costs (Revised March 2007).

Dear Mr Holmquist,

According to Article 2 of the Commission Decision 2006/505/EC of 14 July 2006 (OJ L 199, 21.7.2006, p. 33), the task of the Standards Advice Review Group is to advise the Commission, before it takes a decision on endorsement, on whether EFRAG's opinions on endorsement of International Financial Reporting Standards (IFRS) and Interpretations by the International Financial Reporting Committee (IFRIC's) are well balanced and objective.

The International Financial Reporting Committee (IFRIC) of the International Accounting Standards Board (IASB) has published a revision of IAS 23 – Borrowing costs on 29 March 2007.

The European Financial Reporting Advisory Group (EFRAG) has, in its letter of 20 June 2007, recommended the European Commission to propose IAS 23 for adoption by the EU.

Pursuant to the request of the European Commission of 21 June 2007 for advice on whether EFRAG's opinion on endorsement of IAS 23 – Borrowing costs (Revised March 2007) of 20 June 2007 is well balanced and objective,

the Standards Advice Review Group

having regard to the EFRAG's final opinion on endorsement of IAS 23 – Borrowing costs (Revised March 2007) of 20 June 2007, comment letters, EFRAG's summary and analysis of comments and the relevant records of the EFRAG Technical Expert Group (TEG) meetings;

having considered further information given by the Chairman of TEG and EFRAG staff at the meetings of the Standards Advice Review Group,

has concluded

that EFRAG's opinion on endorsement of IAS 23 – Borrowing costs (Revised March 2007) of 20 June 2007 is well-balanced and objective.

Please contact me if you have questions relating to this assessment.

Yours sincerely,

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Geoffrey Mitchell
Chairman of the Group