

Mr. Jean-Paul Gauzès
President of the EFRAG Board
European Financial Reporting Advisory Group
35 Square de Meeûs
Brussels B-1000
Belgium

Ref: IASB Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants*

Dear Jean-Paul,

In the present letter ICAC gives its view on EFRAG's position presented in your draft comment letter on the Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants*, issued by the IASB on 19 November 2021 (the "ED").

We welcome the IASB's efforts to address the concerns of constituents that have emerged in the context of the IFRS Interpretations Committee's agenda decision of December 2020 and accepts that liabilities should be classified as current or non-current based on the situation as at the end of the reporting period. In our view the proposals in this ED will improve the clarity of the classification of liabilities that have to comply with specified conditions within twelve months after the end of the reporting period.

In general, ICAC supports the responses given by EFRAG in its comment letter.

In particular, we disagree with the proposal to require a separate presentation on the face of the statements of financial position of the liabilities classified as non-current, for which the entity's right to defer settlement for at least twelve months after the reporting period is subject to compliance with specified conditions within twelve months after the reporting period. We consider that this proposal contradicts the principles-based nature of IFRSs. Furthermore, we believe that it would not result in more useful information and would undermine the differentiation between current and non-current liabilities.

CORREO ELECTRONICO
contabilidad@icac.gob.es

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C/ HUERTAS, 26
28014 MADRID
TEL.: 91 389 56 00
FAX: 91 429 94 86
www.icac.gob.es

CSV : GEN-69a1-0bb7-2b76-82ba-68d3-5f0b-2432-370e

DIRECCIÓN DE VALIDACIÓN : <https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm>

FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 09/03/2022 16:11 | Sin acción específica





We note that the relationship between paragraph 72B(b) and 72C(b) of the ED is not clear. We believe there is a risk that the same covenants may be interpreted differently, as it will be difficult to distinguish between future events or outcomes that are or are not affected by the entity's future actions. Therefore, the ICAC agrees with the alternative wording proposed by EFRAG for paragraph 72C(b).

The ICAC shares the concern about the requirement of providing forward-looking information and considers that information about the future compliance with covenants should be based on facts and circumstances known at the date of issuance of the financial statements.

Please, don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of ICAC

Madrid, 9th March 2022

