



Mrs Sue Lloyd
Chair
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Paris, March 12, 2018

Dear Mrs Lloyd,

Re: March 2018 Committee's proposed agenda decisions- IFRS 15 Revenue from Contracts with Customers

We welcome the opportunity to comment on the above-referenced proposed agenda decision ("the AD") that will be discussed on March 13, 2018.

We welcome the IFRS IC's discussion in AP2B and take note of the transmission of some of our comments on the due process to the IFRS Foundation staff assisting the Trustees with their review of the Due Process Handbook. We would like to point out nevertheless that we disagree with the idea in §21 that the adequacy of the information obtained should not be evaluated by the IC, because it has already been assessed by the Board when developing the Standard. Such a voluntary limitation of the examination of a proposed solution fails, in our view, short of the stakeholders' (and especially users) expectations of the role of a standard setter. A continuous monitoring of the adequacy of the accounting & information outcomes provided by a standard should be part of the IC work process when it is confronted to such a debate.

We appreciate the IFRS IC staff significant efforts to clarify its basis for conclusions about the fact patterns and in providing its answers to the comment letters. We however respectfully believe that the proposed agenda decisions that basically confirm the initial ones still present inadequate rationale.

Because of the limited time available to the public to analyze the agenda papers and proposed agenda decision on the three topics dealing with IFRS15 in real estate transactions, our focus is on the Brazilian topic.

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The proposed agenda decision now explicits the characteristics of the in rem right following the additional information provided by the Brazilian Construction Industry and SEC. We understand that this right received upon inception of the contract is a right to an undivided interest in the land and the multi-unit complex under construction that the customer can resell or pledge as the complex is constructed.

We derive from this description that this right has its own value and because it is received at inception is transferred back by the customer to the entity upon cancellation.

If we assume that we follow the IC proposed reasoning about this right being different from the right to the real estate unit (§51), a consequence of the explanations now provided on the in rem right is that its value should be assessed and included in the determination of the adequacy or not of the right to payment. We believe that the proposed view (§63) that "...in those situations the entity is entitled only to a termination penalty that does not compensate it for performance completed to date" is inconsistent with the in rem right mechanism because it is simply ignored. Accordingly the proposed agenda decision does not demonstrate that "in the events of the courts accepting requests to cancel contracts, the entity is entitled only a termination penalty...". Whether the inclusion of the value of the in rem right would or not deliver the compensation for the performance completed to date is a matter of fact on which we have no elements: only an analysis of the various court decisions may probably bring this understanding together with an understanding of the economic value of the in rem right upon cancellation.

We would like also to point other matters of the analysis made in AP:

- right to an undivided interest :

We note in §52 of AP 2C the following staff comment "we think a right to an undivided interest in land (representing a notional fraction of a land attributable to one unit in a multi-unit complex) is not what the Board had in mind when it referred to the customer's land' in paragraph BC129". We are not in a position to dispute what the Board had in mind as the notion of undivided interest is not present in the standard or its BCs but would like to point out the following elements:

1. when the customer will receive the final title to its unit, we assume this title also entitles it to an undivided interest to the land and the communal parts of the complex, i.e. for the land it is probably exactly the same undivided interest that the customer received through the in rem right. Nevertheless this is not analyzed.
2. if a right to an undivided interest has been granted by the entity, how should that be reflected on the entity's books ? Under the proposed IC solution, we note that the work in progress on the entity's balance sheet will include rights that have been transferred.
3. the matter having not been explicitly addressed by the Board, should the IFRS IC not refer the matter to the Board ?



- limited legal precedents with no final legal assessment :

We note in §64 that the staff appears to consider the existence of limited legal precedents as sufficient to void the existence of a potential right to compensation for performance completed to date (without providing that evidence as noted above); this could be read as that in the future any lower court decision should automatically affect an accounting outcome, even if a court's decision is technically challengeable with a reasonable chance of success in higher courts. As such situations regularly occurs, and as usually IFRS requires an assessment of the technical merits of an entity's legal position, we respectfully urge the Committee to review the answer to the Brazilian SEC and Construction Industry comment on the lack of precedents in higher courts.

In that respect, we do not think that the sentence in §64 addresses the matter ("if evidence were to became available of the courts enforcing the rights granted to the entity under the applicable law (...), then such evidence would be relevant to the assessment of the criterion in paragraph 35(c)").

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If you would like to discuss our comments further, please do not hesitate to contact us at nicolas.depaillerets@orange.com.

Yours sincerely,

/s/ Nicolas de Paillerets

Nicolas de Paillerets

Orange

Director of Accounting Principles

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