



Hans Hoogervorst
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IASB
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United Kingdom

Copies to: International Accounting Standards Board Members
Henry Rees, Technical Director, IASB

15 January, 2015

IFRS 15 Revenue from Contracts with Customers

Dear Mr Hoogervorst,

We are writing regarding the implementation timetable for IFRS 15 Revenue from Contracts with Customers.

We note that the Board's intention in requiring the application of IFRS 15 for annual reporting periods beginning on or after 1 January 2017, and the option to adopt IFRS 15 retrospectively but with cumulative effect, was to allow preparers sufficient transition time to mitigate some of the burdens and costs of transitioning to IFRS 15.

At the time that the transition date was decided, IFRS 15 was expected to be issued in H1 2013, providing preparers with a three and a half year transition period. The release of IFRS 15 on 28 May 2014 effectively reduced the available transition period by a year.

IFRS 15 will have a major impact on the financial statements of telecommunication operators, particularly in the mobile sector, and since the issue of IFRS 15 we have accelerated our transition programmes with a view to meeting the adoption timetable. As telecommunications operators, we face some common challenges in adopting IFRS 15, such as:

- Consumer contracts with a typical duration of two years and enterprise contracts which are frequently significantly longer;
- A huge range of service and equipment combinations that are sold to customers;
- Frequent changes to both pricing and the nature of offers;
- A high incidence of contract modifications; and
- Very high transaction volumes.

Despite the helpful wording in IFRS 15 regarding the use of a portfolio approach, relative standalone selling price allocation still requires the use of data relating to the nature of equipment and services promised to customers as at contract inception. Data, when it is collected, also needs to be linked, either to contracts or appropriate portfolios. Other significant factors include the following:

- Our markets operate multiple IT systems which are typically not designed to comply with the above requirements and for which solutions need to be designed, tested and implemented. Furthermore, some signatories to this letter operate in a number of geographic markets, often using different IT systems.
- For two year consumer contracts, data needs to be collected, validated and linked with effect from 1 January 2015 in order to apply IFRS 15 with cumulative effect from 1 January 2017. The timeline imposed by the data requirements provides no allowance for contingencies, or for restatement on a test basis, to mitigate programme risks.
- The data required, and the solution design, will also be impacted by a number of significant application questions which we are working to resolve, but have not yet concluded on, where different interpretations are possible under the standard.
- The changes to our revenue and cost accounting will have a very material impact on our key financial metrics. In order to effectively manage our businesses, internal reporting and performance measures need to be revised to reflect these metrics and management and staff across our businesses fully trained. There will be pervasive impacts on reporting processes and related controls and we expect that reward and incentive packages, which are often multi-year plans, will need to be re-designed.

Whilst we may be able to comply with IFRS 15 on 1 January 2017, we believe that this is a very aggressive timetable for our industry with inevitable impacts on programme risk and cost and which limits the opportunity to design and implement solutions with wider commercial benefits.

We ask that the Board provides the option of a one year extension to the adoption timetable which would allow us to continue with our transition programmes in a manner that would:

- Reduce the risk of errors arising on the adoption of IFRS 15;
- Allow sufficient time for discussion with firms and industry peers with a view to applying IFRS 15 in as consistent a way as possible;
- Allow for more efficient transition programmes and allow the costs of adoption to be better contained;
- Permit us to re-design internal reporting, controls and incentives to reflect the revised financial metrics that will apply to our industry; and
- Enable us to design and implement required systems changes such that broader commercial benefits might be realised.

We will be happy to engage in further discussions with the Board or the Staff regarding our request.

Yours faithfully,

/s/ Nick Read

Nick Read
Chief Financial Officer
Vodafone Group Plc

/s/ Ramon Fernandez

Ramon Fernandez
Deputy CEO and Group Chief Financial & Strategy
Officer
Orange SA

/s/ Miguel Escrig Meliá

Miguel Escrig Meliá
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TELEFÓNICA, S.A.

/s/ Jeann Low

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Group Chief Financial Officer
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/s/ Ray Stewart

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Chief Financial Officer
Belgacom SA (Proximus)

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