

Accounting Standards Board

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Dear Glenn

Discussion Paper 'Extractive Activities'

This letter sets out the Accounting Standards Board's (ASB's) comments on the Discussion Paper (DP) '*Extractive Activities*'.

The ASB welcomes the DP as initiating very useful discussion on financial reporting in the sector. The sector gives rise to some uniquely difficult financial reporting problems and the DP discusses many of them comprehensively and well.

However, the ASB is concerned that the DP has not addressed some of the key financial reporting issues in the sector. For example, farming arrangements, production sharing agreements and taxes on government levies (which are complex and not covered by other standards) are not addressed. These issues currently present difficulties to preparers in accounting for them on a consistent basis.

In addition, the ASB does not agree with the project team's decision to scope out consideration in the DP the question as to which standard should cover other non-regenerative resources. It seems unclear as to how these activities will be treated in future.

The ASB is not convinced that, from the UK perspective, the IASB should take onto its agenda a project on extractive activities. From the evidence we have seen, current IFRS is satisfactory for the preparation of financial statements by UK mining and oil and gas companies.

Given the above concerns, the ASB has decided that it will not be commenting on the questions in the Invitation to Comment section of the DP. The ASB has seen the EFRAG draft comment letter and its appendix responding to the DP and is broadly supportive of the proposed EFRAG responses.

Should you wish us to expand on any aspect of this response, please contact me or Jennifer Guest j.guest@frc-asb.org.uk

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Mackintosh', written in a cursive style.

Ian Mackintosh
Chairman

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