



Accounting Standards Board

Aldwych House, 71-91 Aldwych, London WC2B 4HN

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www.frc.org.uk/asb



Stig Enevoldsen
Chairman
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels
Belgium

25 February 2009

Dear Stig

IASB Exposure Draft of Proposed Amendments to IFRIC 9 and IFRIC 16

This letter sets out the UK Accounting Standards Board's (ASB's) comments on EFRAG's draft comment letter on the IASB Exposure Draft mentioned above (ED).

The ASB shares EFRAG's views in relation to the proposals in the IASB's ED, with one exception, which concerns the recommendation that the IASB also exclude acquisition of associates from the interpretation's scope. This is on the basis that IAS 28 *Investment in Associates* requires that entities account for the acquisition of an associate on the principles of IFRS 3.

However, we note that paragraph 13 of IAS 28 requires entities to use the equity method when accounting for associates in consolidated financial statements. IAS 28 sets out that the investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss.

As a result, we do not believe that a consolidating entity will be in a position to consider the detailed accounting policies adopted by its associate or to assess the embedded derivative contracts on acquisition or subsequently. Therefore, the ASB does not believe that the question of investment in associate being within the scope of IFRIC 9 ever arises.

We also enclose our response to the IASB for your information. If you would like to discuss any of the comments made above then please contact Seema Jamil-O'Neill on 020 7492 2422 or myself on 020 7492 2434.

Yours sincerely

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

Ian Mackintosh

Chairman, ASB

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Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

25 February 2009

Dear David

IASB Exposure Draft of Proposed Amendments to IFRIC 9 and IFRIC 16

This letter sets out the UK Accounting Standards Board's (ASB's) comments on the IASB Exposure Draft (ED) mentioned above.

The ASB supports the IASB's proposed amendments to IFRIC 9 and agrees that the effective date should be the same as that for IFRS 3 *Business Combinations* (revised 2008), the standard that necessitated the amendments in the first place.

On the Amendments to IFRIC 16 we support the IASB's proposals to amend paragraph 14 of the Interpretation to remove the restriction on the entity that can hold the hedging instrument.

However, the ASB is concerned that the effective date of 1 October 2008 for the amendments to IFRIC 16 means that to be able to apply the amendment and continue to apply the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement* entities would have had to have in place designation documents for the hedges on 1 October 2008. As the IASB did not discuss the possibility of the amendment until January 2009 we do not expect that entities applying IFRS would have been aware of this possibility and therefore are unlikely to be able to take advantage.

The ASB would recommend that either the effective date be changed for the amendment to IFRIC 16 or that the final amendment exempt entities, on initial implementation of the interpretation, from the requirement to have hedge designation documents in place.

If you would like to discuss any of the comments made above then please contact Seema Jamil-O'Neill on 020 7492 2422 or myself on 020 7492 2434.

Yours sincerely

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Ian Mackintosh

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