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

24 November 2009

Dear Sir

Improvements to International Financial Reporting Standards - 2009

We are responding to your invitation to comment on the Exposure Draft of Proposed Improvements to IFRSs (the 'Exposure Draft') on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms that commented on the Exposure Draft. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Our responses to the specific questions posed in the invitation to comment are attached as Appendix A to this letter. We agree in principle with most of the proposed improvements. We set forth suggestions to clarify the proposed wording of seven of the proposed amendments as Appendix B to this letter. We disagree with two of the proposed improvements as we explain below.

IAS 27 Consolidated and Separate Financial Statements - Impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor

We believe this proposed amendment would bring significant change to the accounting in separate financial statements for investments in subsidiaries, jointly controlled entities and associates (investments) as well as a change to measuring impairment of these investments. This change is more fundamental than just a clarifying improvement. We understand that the intent of the amendment is to require a parent entity to use either cost or fair value through profit or loss as required by IAS 39 for accounting for its investments in its separate financial statements. Cost is only available as a measurement basis in IAS 39 when fair value cannot be reliably measured. Parent companies will, therefore, be required to assess fair value for investments and only be allowed to use 'cost' when fair value is not reliably measurable.

Few investments in subsidiaries, jointly controlled entities and associates are quoted on active markets or currently accounted for at fair value through profit and loss. Most parent entities use either the cost model or if fair value is used then investments are classified as available for sale. This proposed amendment will require many parent companies to change their current

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accounting policies, incur additional cost and effort to determine the fair value of these investments and force recognition of gains and losses arising from market conditions and volatility in the income statement.

Further, IAS 39 permits or requires classification of investments at fair value through profit or loss in limited situations that seem to be inconsistent with the nature of investments in subsidiaries, jointly controlled entities and associates.

We do not believe the proposal would be an improvement to the current impairment model (i.e. look to IAS 39 for indicators and test under IAS 36). An investment in a subsidiary, jointly controlled entity or an associate is different in nature than a small equity interest. We believe that the IAS 36 impairment model provides a more practical and robust approach to measuring impairment of these investments.

We understand the desire to eliminate options and divergent practices in accounting for investments in separate financial statements. However, this does not seem an appropriate time to broaden the scope of IAS 39, given the current project to rewrite the financial instruments guidance. We suggest that this amendment is withdrawn from the current improvements project. Should you wish to consider this issue at a later stage, we suggest this takes place either as a separate project or as significant amendment with appropriate due process.

Proposal to amend IAS 40, Investment Property

We do not believe that the proposed amendment should be included within the improvements project. We believe that there is significant potential impact from the proposed amendment and this proposal warrants further consideration as part of a broader IAS 40 amendment project.

The proposed amendment would have a significant impact on property developers that both develop properties for sale and for the rental market. It is common in Asia, for example, to acquire substantial plots of land and form detailed plans at a later stage for their use. IAS 40.8(b) requires that such 'land banks' are classified as investment property. The prohibition against transferring land to inventories in the draft amendment would result in property developers no longer presenting revenue from such property development activities.

Appendix A provides our responses to the specific questions asked in the Exposure Draft. Appendix B sets out our drafting suggestions where we agree in principle with the proposed amendment but believe the wording can be improved. We have offered no comments on those amendments that we support and have no drafting suggestions.

If you have any questions on the content of this letter, please do not hesitate to contact Richard Keys, PwC Global Chief Accountant (+44 20 7212 4555), or Tomasz Konieczny (+48 22 523 42 85).

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Appendix A

Response to IASB's Exposure Draft on Improvements to IFRSs – August 2009

Response to specific questions

***Question 1**: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?*

We disagree in principle with two of the proposed amendments as described in our cover letter. We agree in principle with seven of the proposed amendments but offer drafting suggestions where we believe the wording can be improved. We support the remainder of the proposed amendments without further comment.

***Question 2**: Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?*

We support the transition provisions as proposed by the Board for all amendments except for the two proposed amendments that we disagree with as explained in our cover letter.

***Question 3**: The Board proposes changes to IAS 34 Interim Financial Reporting to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft Fair Value Measurement in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 Financial Instruments: Disclosures for annual financial statements should also be required for interim financial statements.*

Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

We repeat and confirm the comments we made in our comment letter on the May 2009 Exposure Draft on Fair Value Measurement. The relevant excerpt is included below:

> "These proposals are appropriate because users do need to be able to assess the methods and inputs used to develop fair value measurements, and do need to know the effects of significant unobservable inputs. However, these increased disclosures do carry with them two risks which the Board should monitor: (1) the risk that information crucial to users will in fact become obscured in excessive disclosure; (2) the burden on preparers will be excessive."

We confirm this response to the extent it relates to the disclosures required in interim financial statements.

***Question 4**: The Board proposes changes to IAS 34 Interim Financial Reporting. Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?*

We are concerned that requiring particular disclosures in interim financial statements can be misconstrued as promoting a 'rules-based' approach to disclosure and resulting typically in only the minimum level of disclosures required.

We prefer a principle be established that guides preparers in providing information that is useful to the users in understanding how the reporting entity's financial position, as presented in the interim financial statements, has developed since its previous annual report.

It should be presumed that users of the interim financial statements have the previous annual report available to them. Accordingly, the principle to be applied by a preparer of interim financial statements is to assess whether information is useful to a user of the interim report to update their understanding of the business from the last annual report.

Features of useful information might include;

- Material change in asset values or liabilities,
- Material change in the assumptions underpinning the measurement of assets or liabilities,
- Expected changes during the foreseeable future after the date of the interim financial statements in the market for the products or services of the business that may result in a significant change to the asset values.

We believe the Board should consider the matter of principle based disclosure for interim financial statements for further deliberation. We support the proposed amendments to IAS 34 with a suggested clarification in Appendix B.

***Question 5**: The Board proposes to amend IAS 40 Investment Property to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Do you agree that the proposed amendment should be included within Improvements to IFRSs or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.*

Please see our comments in the cover letter.

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Appendix B

Response to IASB's Exposure Draft on Improvements to IFRSs – August 2009

Proposed suggestions to improve wording

IFRS 1 First time adoption of International Financial Reporting Standards – Revaluation basis as deemed cost

We support this amendment. However, we have suggested certain changes to the wording to provide clearer guidance to users. Our understanding is that paragraph D8 applies to various categories of assets and liabilities and not solely to items of property, plant and equipment. Hence, in the sentence relating to transition date accounting we suggest removing the references to D5-D7 (which deal with property, plant and equipment) and replace them with the general requirement that any asset or liability that may be subject to event-driven revaluation (for example, inventory of oil in a privatised oil company, reserves of gold in a privatised bank or re-measurement of loan portfolio to fair value to reflect current interest rates in a restructured financial institution) shall be accounted at the transition date using the principles of IFRS 1. In addition we believe that clarifying the accounting for the re-measurement, i.e. adjustments are recorded to retained earnings, will be useful to the users of standards. The suggested revised wording of paragraph D8 is as follows:

D8. A first time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. If the measurement date is before the end of the first IFRS reporting period, the first time adopter may use such event-driven fair value measurements as deemed cost for IFRSs at the date of that measurement. If the measurement date is after the first-time adopter's date of transition to IFRSs, the entity ~~may elect a deemed cost at the date of transition that meets the criteria in paragraphs D5 - D7~~ shall apply the requirements of this standard to measure assets and liabilities at the date of transition. The event-driven fair value measurement within the entity's first IFRS reporting period is recognised as deemed cost when the event occurs, with any adjustments recorded to retained earnings (and non-controlling interest, if applicable) on that date.

IFRS 3 Business Combinations – Measurement of non-controlling interests

We support this amendment. However, we suggest you provide application guidance to illustrate how this amendment applies to various instruments that do not have current participating rights in the net assets of an entity in the event of liquidation. For example, the guidance should include vested and non-vested share based payment awards, the equity component of convertible debt and equity-classified preference shares, as well as an explanation of the accounting treatment depending on which of the two models an entity selects.

We also believe that certain edits will be helpful to clarify how to apply the amendment. The amendment seemed to offer a choice of measuring the components of NCI that did not have participating rights in net assets at either fair value or as required by IFRS. Our proposed edits eliminates this optionality through replacement of the word "or" with the word "unless". Also, we believe that when the fair value option is elected, all components of NCI should be measured at their fair value, including those which do not have participation rights (without consideration of what other standards may require). Consequently, we propose the following edits to paragraph 19:

19. For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. ~~other measurement basis is required by IFRSs, except for~~

~~the~~ However, when the acquirer chooses to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, those components of non-controlling interest that are not present ownership instruments and do not entitle their holders to a pro rata share of the entity's net assets in the event of liquidation, ~~. The acquirer~~ shall be measured ~~those components of non-controlling interest either~~ at fair value ~~or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets~~ unless IFRS requires another measurement basis.

IFRS 3 Business Combinations – Un-replaced and voluntarily replaced share-based payment awards

We agree with this amendment and propose minor edits to paragraphs B56 and B62A, as follows, to clarify the treatment of unreplaced but modified awards of an acquiree.

B56 .... The acquirer shall apply the principles in paragraphs B57-B62 in accounting for acquiree awards it chooses to replace or modify in a business combination as well as those it is obliged to replace. However, ...

B62A The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions or modify in any way. If vested,.......

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Application of IFRS 5 to loss of significant influence over an associate or loss of joint control in a jointly controlled entity

We agree with this amendment but bring to your attention the following points:

- IFRS 5 paragraph 6 requires held for sale classification if recovery of the carrying amount of a non-current asset (or disposal group) is 'principally through sale'. This requirement for meeting held for sale classification may need to be revised. The Board previously clarified that the loss of control triggers application of IFRS 5 and now have clarified that the loss of significant influence or the loss of joint control can also trigger application of IFRS 5. The notion of 'principally through sale' is no longer applicable when there has been a loss of control (or significant influence or joint control) where a significant portion is retained (for example, sale of a 10% interest from 55% to 45%).

- BC85 explains the convergence with US GAAP and may need to be revised as a result of the proposed amendment.

IAS 1 Presentation of Financial Statements – Clarification of statement of changes in equity

We support a principle to allow more flexibility between the presentation in the statement of changes in equity and the presentation in notes. However, we would like to draw to the Board's attention that this amendment could be interpreted as requiring a statement of changes in equity that contains very little information. For example, in cases when an entity decides to present all items listed in paragraph 106 in the notes, the statement of changes in equity could be limited to three lines: (1) opening balance, (2) net change, and (3) closing balance.

IAS 34 Interim Financial Reporting – Significant events and transactions

We agree with the Board's desire to improve the quality of disclosure in interim financial statements. We are concerned with the volume of information being required in interim financial statements and consider that developing a principle to guide disclosure would be more helpful to preparers than the continuous addition of items to a list of disclosures. We refer to our response in Appendix A. We do suggest, in the absence of a disclosure principle, making the following edit to paragraph 15 to clarify that only relevant and not all (or equivalent) disclosures be carried forward from the most recent annual report:

15 An entity shall include in its interim report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions should update the ~~equivalent~~ relevant information presented in the most recent annual report.

IFRIC 13 Customer Loyalty Programmes – Determination of fair value

We agree with this amendment but suggest the following edits to clarify illustrative example 1:

IE 1 A grocery retailer operates a customer loyalty programme. It grants programme members loyalty points when they spend a specified amount on groceries. Programme members can redeem the points for further groceries. The points have no expiry date. In one period, the entity grants 100 points. Management estimates that each loyalty point can be redeemed for groceries with a retail sales price of 1.25 currency units (CU 1.25). Management expects only 80 of these points to be redeemed. Therefore the fair value of each point is CU1, being the redemption value of each loyalty point granted of CU1.25 reduced to take into account points not expected to be redeemed ((80 points/100 points) x CU1.25 = CU1). Accordingly, management defers recognition of revenue of CU100.