

TEXT OF E-MAIL FROM MICHELLE SANSOM TO DUE PROCESS OVERSIGHT COMMITTEE (DPOC)

Date: 10 June 2014

Dear DPOC Members

The IASB will hold its June monthly meeting the week commencing the 16 June 2014 in London. There are three narrow-scope amendments which we wish to bring to your attention. Copies of the relevant papers are attached to this email.

Paper 12B – Sale or Contribution of Assets between an investor and its Associate of Joint Venture (Amendments to IFRS 10 and IAS 28)

This agenda paper highlights that during the finalisation process for the Amendment, in addition to the Board member who had previously noted his intention to dissent from the amendment, further Board members have noted they are considering dissenting from the final amendment. As a consequence, (in accordance with paragraph 6.9 of the Due Process Handbook) at the June meeting the IASB members will be asked whether it is their intention to dissent. It is understood that Board members who have indicated their intent to dissent during the finalisation process disagree with a narrow technical decision regarding a “sweep issue” that the IASB considered in January 2014.

In our Technical Update of Activities at the April trustee meeting (Agenda paper 3B) we noted:

1. The objective of the project is to address the acknowledged inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture.
2. In December 2012, the IASB published an Exposure Draft. In July 2013 the Interpretations Committee considered the responses received and decided that it should recommend to the IASB that it should proceed with the amendments. In October 2013, the IASB agreed with the Interpretations Committee’s recommendations.
3. In November 2013 the IASB reviewed the due process steps in relation to these amendments.
4. At its meeting in January 2014 the IFRS IC reviewed a related matter raised by respondents to the 2012 ED. As a consequence the IFRS IC recommended to the IASB that it should make a further amendment to IAS 28. Accordingly at its March 2014 meeting, the IASB decided to amend paragraph 31 of IAS 28 so that the proportion of the gain or loss relating to the assets received in exchange for the contribution of an asset should be recognised only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB decided to include this amendment in the forthcoming Exposure Draft *Elimination of gains from downstream transactions*.

Paper 12C – Amendments to IFRS 2 Share-based Payment Clarifications of Classification and Measurement of Share-based Payment Transactions

The IASB is planning to issue an Exposure Draft (ED) to amend IFRS 2 *Share-based Payment* proposing to add guidance to address 3 specific issues:

- (i) Share-based payments settled net of tax withholdings
- (ii) Modification of a share-based payment transaction from cash-settled to equity-settled

- (iii) Accounting for cash-settled share-based payment transactions that include a performance condition.

The Interpretations Committee is recommending the amendments to the IASB to address diversity in practice.

Appendix A of the paper contains a table confirming that the required due process steps have been completed. The ED will be issued for a 120 day comment period. It is currently planned that the ED will be issued in August 2014.

Paper 12D(ii) – Recognition of Deferred Tax Assets for Unrealised Losses

The IASB is planning to issue an ED to amend IAS 12 *Income Tax* which will clarify in an illustrative example (application guidance) the accounting for recognition of deferred tax assets for unrealised losses. The ED will also make clarification amendments to the text of IAS 12.

This issue was originally considered as part Annual Improvements 2010-2012 cycle but based on comment letters received the IASB decided to address the matter separately.

The Interpretations Committee is recommending the amendment to the IASB to address diversity in practice.

The Appendix to the paper contains a table confirming that the required due process steps have been completed. In accordance with paragraph 6.9 of the IFRS Foundation's Due Process Handbook IASB members will be asked if any member intends to dissent; when the amendment was previously discussed by the IASB one member voted against it. The ED will be issued for a 120 day comment period. It is currently planned that the ED will be issued in July 2014.