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International Accounting Standards Board

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Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: **March 2007, London**

Project: **Hedging of a Net Investment in a Foreign Operation (Agenda Paper 7)**

INTRODUCTION

1. In January 2007, the IFRIC discussed the accounting for a hedge of a net investment in a foreign operation (NI). The IFRIC noted that IAS 39 *Financial Instruments: Recognition and Measurement* includes in the Implementation Guidance, example F2.14, which states that 'IAS 39 does not require that the operating unit that is exposed to the risk being hedged be a party to the hedging instrument'. The example discusses a cash flow hedge using a swap contract as the hedging instrument. The IFRIC asked staff to consider the application of this guidance to the hedge of a NI using both swap contracts and other types of hedging instruments. Section A of this paper will discuss the application of this example further.

2. Also in January, the IFRIC decided that the hedge of a NI is a hedge of an economic exposure, and therefore an entity cannot hedge against an elective presentation currency; rather, the entity is hedging against functional currency

movements. The IFRIC asked staff to analyse two alternative views of when the functional currency gives rise to a hedgeable risk. One view is a top down approach, where the hedge of a NI is a hedge of the risk arising between the functional currency of *the ultimate parent* entity that is preparing consolidated financial statements and the functional currency of its NIs. The second view is a bottom up approach where the hedge of a NI is a hedge of the risk arising from the functional currency of the NI and the functional currency of *any immediate or intermediate parent of the NI* up to the ultimate parent entity preparing consolidated financial statements. This paper considers these two views in Section B of the paper.

STAFF PROPOSALS

3. Paragraphs 4 – 7 below summarise the staff's proposals in response to the following questions posed by the IFRIC:

   (a) Where in a group can a hedging instrument be held; and

   (b) Which net investment risk is eligible to be hedged?

   The staff believe that firm guidance derived from IAS 21 and IAS 39 can be given on the first issue. On the second issue, the staff find current IFRSs more difficult to interpret. The staff have therefore set out the various possibilities and indicated a course that is consistent with the approach taken by the Board on another matter concerning the analysis of risk, but which would probably require an amendment to IFRSs before it could be required.

Where in a group can a hedging instrument be held?

4. The staff believe a hedging instrument can be held by any entity within the group, as long as the instrument is considered effective – ie the functional currency of the NI and the functional currency of the parent are the same currencies that the hedging instrument's value is based on. This will ensure that, at inception, the hedging instrument's profit or loss movements can be expected to offset the equity movements on the NI. When using a one-legged instrument (such as borrowings), the instrument will be effective if it is held by an entity with the same functional currency as the entity hedging its NI (or it has

been on lent to an entity with that functional currency). By contrast, the gains and losses on a two legged hedging instrument are not dependent on the functional currency of the entity that holds it; therefore, a two legged hedging instrument can be held by any entity within the group.

Which net investment risk is eligible to be hedged?

5. The staff initially considered two views of where the risk arises in a group. The staff then considered the US GAAP approach. The first view is that any parent, whether the immediate, intermediate or ultimate parent entity, can hedge a NI. This is because each parent is exposed to a risk arising from that NI. Designation and documentation will identify the risk being hedged and all hedging relationships that qualified at any level in the group will remain in place in the consolidated financial statements of the group.

6. The second view is that the consolidated financial statements are those of the parent of the group that is consolidated and any intermediate risk is merely a 'portion' of the parent's risk. Thus, only risks against the parent's functional currency can be hedged at the group consolidated level. If the second view is taken, an ancillary question arises concerning the way in which the parent of the group should determine its exposure in relation to any given net investment. That question is examined at the end of this paper.

7. The US GAAP approach states that an entity can only hedge its direct exposure to a NI. Thus, in a group with multiple levels of investment, a lower level entity can hedge its exposure arising from a NI it holds directly. This hedge will survive in the consolidated financial statements at the ultimate parent level. However, under the US GAAP approach, the ultimate parent entity is not allowed to hedge its investment in a second tier subsidiary if an intervening first tier subsidiary has a different functional currency, because the ultimate parent is not directly exposed to the risk of the second tier subsidiary.

A THE FUNCTIONAL CURRENCY OF THE ENTITY HOLDING THE HEDGING INSTRUMENT

IAS 21 and IAS 39 – Example

8. At the January meeting, IFRIC members identified the answer to the example in paragraph IG F2.14 of IAS 39 as possibly providing guidance on the hedge of a NI. IAS 39 paragraph IG F2.14 states:

> 'An Australian entity, whose functional currency is the Australian dollar, has forecast purchases in Japanese yen that are highly probable. The Australian entity is wholly owned by a Swiss entity, which prepares consolidated financial statements (which include the Australian subsidiary) in Swiss francs. The Swiss parent entity enters into a forward contract to *hedge the change in yen relative to the Australian dollar*. Can that hedge qualify for hedge accounting in the consolidated financial statements, or must the Australian subsidiary that has the foreign currency exposure be a party to the hedging transaction?
>
> Yes. The hedge can qualify for hedge accounting provided that the other hedge accounting criteria in IAS 39 are met. Since the Australian entity did not hedge the foreign currency exchange risk associated with the forecast purchases in yen, the effects of exchange rate changes between the Australian dollar and the yen will affect the Australian entity's profit or loss and, therefore, would also affect consolidated profit or loss. *IAS 39 does not require that the operating unit that is exposed to the risk being hedged be a party to the hedging instrument.*' [Emphasis added]

9. This example considers a swap contract used in a cash flow hedge. The IFRIC asked staff to consider whether this guidance can be applied to:

   (a) the risks arising from the hedge of a net investment; and

   (b) different hedging instruments, for example borrowings, when hedging a NI.

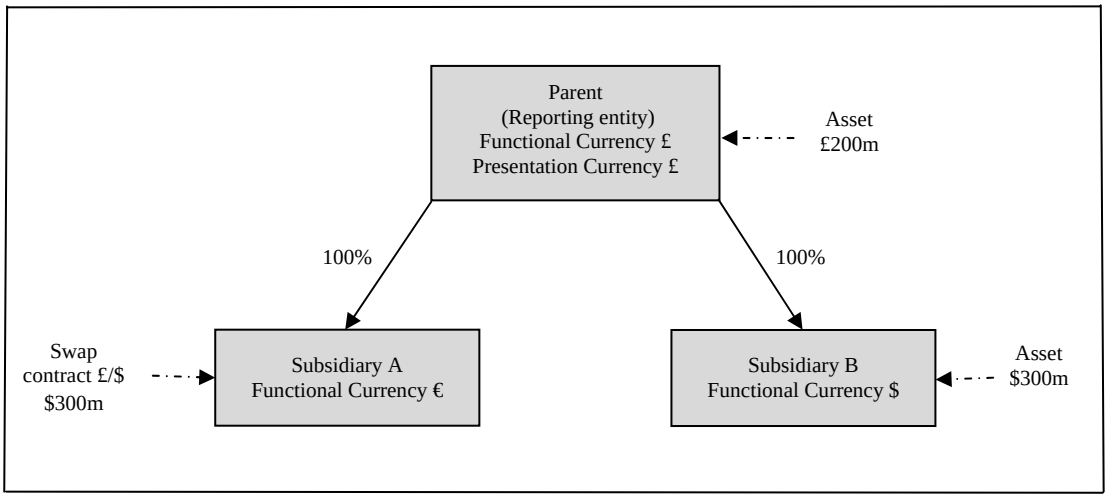
10. This section explores those questions further by considering the following example:

Parent has a functional and presentation currency of Pound Sterling (£). Parent holds a 100 per cent interest in Subsidiary A, whose functional currency is the Euro (€), and a 100 per cent interest in Subsidiary B, whose functional currency is United States Dollars (US$). Parent also has an asset worth £200m. Subsidiary A has a swap contract, to sell US$300m at the 1 year forward rate of £1 to US$1.92. Subsidiary B has an asset of US$300m.

Parent entity wants to hedge its exposure arising from its net investment in Subsidiary B with the swap contract held by Subsidiary A. The following table shows the applicable spot exchange rates:

	Spot Exchange Rate Year 0	**Spot Exchange Rate Year 1**
Pound Sterling (£)	£1.00	£1.00
US Dollars (US$)	US$1.90	US$1.80
Euro (€)	€1.50	€1.40

11. Below is a diagram depicting the example at Year 0:



12. In this example, the hedge is expected to be fully effective because at inception of the hedge relationship the factors determining the value of the swap contract are the same as those determining the parent's NI risk. The value of this contract is not dependent on the functional currency of the entity holding it (the €). The value of the contract depends on the exchange rate movements in US$ / £ applied to its underlying notional value of US$300m. This is in line with the parent's NI risk, which is based on the exchange rate movements in the US$ / £ applied to the NI which has a value of US$300m.

13. In this example, the entity has designated the spot rate changes in the value of the swap as the risk on the hedging instrument. At Year 1, the contract is showing a loss of £8.8m or €12.32m (with the forward points of £1.6m (€2.24m) recognised separately in profit or loss). If the instrument were not used as a hedging instrument, this loss would be recognised in profit or loss. However, when used as a hedging instrument, the £8.8m would be recorded in equity against Parent's foreign currency translation reserve in respect of the NI[1].

14. Now let us assume the hedging instrument held by Subsidiary A is borrowings of US$300m, and not a swap contract. The staff believe that this hedging instrument raises an important difference in calculating the effectiveness of the hedge. The borrowings will be valued at €236.8m at the beginning of the year (Year 0) and €233.3m at the end of the year (Year 1) in Subsidiary A's financial statements[2]. Subsidiary A experiences a foreign currency gain recognised in *profit or loss* of €3.5m, which is translated in the consolidated financial statements in to a gain of £2.5m.

15. Appendix B of this paper shows how the consolidation would take place. It does not follow that, because the hedging instrument and the NI translate to obtain the same amount in the balance sheet (ie the profit and loss movements together with the foreign currency translation movements of the hedging instrument offset in the balance sheet against the foreign currency translation movements on the NI), that the hedging instrument will be effective. This is

[1] Refer to Appendix A for calculations.
[2] Refer to Appendix B for calculations.

because it is only a risk on the hedging instrument that would be recognised in profit or loss (absent hedge accounting), that is eligible to be offset against the NI's foreign currency translation reserve. IAS 39 paragraph 102 confirms this by stating that 'the ineffective portion of the gain or loss on the hedging instrument should be recognised in profit or loss'.

16. To establish effectiveness at the inception of a NI hedge, the factors that determine the value of the hedging instrument must be aligned to the factors that determine the NI risk of the Parent. The staff believe that in this example the borrowings can not be considered as being effective at inception. This is because the factors determining the value of the hedge instrument are fundamentally different from those determining Parent's risk in the NI, even though the accounting entries offset in the balance sheet.

17. The factors determining the value of the hedging instrument are firstly the value of the borrowings - US$300m. This is the same as the value of the NI. However, the change in the value of the borrowings is measured in the functional currency of the entity holding the borrowings. Thus the € / US$ exchange rate movement determines the value of the borrowings. The factors determining the NI risk of Parent are the changes in the exchange rate £ / US$. Therefore, unless it can be shown that there is a valid statistical relationship between the € and the £, the staff believe this hedging instrument is not effective.

18. Guidance in IAS 39 states that a NI hedge is *accounted for* in a similar manner to a cash flow hedge. In a cash flow hedge, an amount that is normally recorded in profit or loss is transferred to the foreign currency translation reserve and this is the amount that is offset against the future cash flows. So in the borrowings example, the amount recognised in profit or loss is the £2.5m which is based on the € / US$ exchange rate and would not be effective in offsetting the movements in the NI (between the £ / US$).

19. Consider the example again. If the borrowings were held by Parent entity, and not Subsidiary A, Parent would experience a loss of £8.8m recognised in profit or loss. This is because the value of the borrowings would be valued in the functional currency of Parent entity. Thus, the factors determining the risk

arising from the borrowings would be the same as the factors determining the risk from the NI for Parent (US$300m, movements in £ / US$). Economically in moving the borrowings from Subsidiary A to Parent, the underlying factors affecting the valuation of the borrowings have changed. An entity with a different functional currency creates an economically different outcome. The staff believe that borrowings held by Parent would give rise to an effective hedge.

US GAAP

20. This section compares the staff proposals with US GAAP. US GAAP includes the following requirements:

    (a) The main principle in US GAAP is that the parent with the hedged risk must hold the hedging instrument and this instrument must be held with a third party.

    (b) This principle is then extended to say that any entity within the group with the same functional currency as the parent can hold the hedging instrument with a third party, as long as there is no intervening entity with a different functional currency in between the parent and the entity holding the hedging instrument.

    (c) This is then further extended to say that any entity in the group with a different functional currency can actually hold the hedging instrument with a third party, as long as the risks from the hedging instrument are passed, through internal contracts, to a qualifying entity (as identified in (a) and (b) above). The internal contract is then classed as the hedging instrument[3].

21. Comparing this guidance to a one legged hedging instrument the staff believe that, in *some* situations, US GAAP and the staff's proposals on assessing effectiveness will result in the same accounting treatment. US GAAP requires

[3] Note – IAS 39 paragraph 73 does not allow internal contracts to be used as hedging instruments because on consolidation such intragroup transactions are eliminated. US GAAP FAS 133 *Accounting for Derivative Instruments and Hedging Activities* paragraph 36 however specifically allows the use of internal contracts as hedging instruments in a hedge of a NI.

either an entity with the same functional currency to hold the hedging instrument, or that the risk arising on that hedging instrument be transferred to an entity with the same functional currency. Thus, under US GAAP a hedging instrument will always be held by an entity with the same functional currency as the parent hedging its risk (as is required under the staff proposals for a one legged hedging instrument).

22. However, under US GAAP some instruments held by an entity with the same functional currency as the parent will not qualify as hedging instruments because an intervening entity between the parent and the entity holding the hedging instrument has a different functional currency than the parent entity. Thus, in some situations, instruments would not qualify under US GAAP, but would qualify under the staff's proposals because the staff does not propose to require that any intervening entity have the same functional currency as the parent. An entity could however ensure that a hedging instrument does qualify, under both US GAAP and the staff's proposals, where an intervening entity with a different functional currency exists. To achieve this the entity holding the instrument could put in place an internal contract to transfer the risk to an entity that would qualify under US GAAP.

23. [Paragraph omitted from Observer Notes]

24. When comparing US GAAP and the staff proposals for a two legged instrument greater disparity is seen than when comparing a one legged instrument. The staff proposals state that the effectiveness of a two legged instrument is not dependent on the functional currency of the entity holding the instrument. Thus, there is no requirement under the staff proposals for that instrument to be held by an entity with the same functional currency as the parent hedging the risk. US GAAP however requires all hedging instruments to be held by an entity with the same functional currency or the risk to be passed on to an entity with the same functional currency. Therefore, the staff proposals are much more lenient regarding where a two legged instrument can be held.

Summary of Section A – The Functional Currency of the Entity Holding the Hedging Instrument

25. In summary, the staff believe that the guidance included in IG F2.14 of IAS 39 can be applied to the hedge of a NI because it should not matter where, within the group, the instrument is held as long as the instrument is effective. Effectiveness should be determined at inception by comparing the factors that determine the value of the hedging instrument with the factors that determine the parent's risk from its NI.

26. Stated another way, effectiveness would be based on the amount that is recorded in profit or loss on the hedging instrument, compared to the movement on the NI in the foreign currency translation reserve of the parent.

27. The staff proposals would result in the swap contract in the first example qualifying for hedge accounting because the swap contract is based on the same notional amount and the same exchange rate as that between the functional currencies of the Parent and the NI. The borrowings held by Subsidiary A would not qualify for hedge accounting because the borrowings are measured in the functional currency of the entity holding them, which does not correlate with that of Parent. Finally, if Parent held the borrowings, the gains or losses recorded on the borrowings would be effective because they are measured in the same functional currency as the NI.

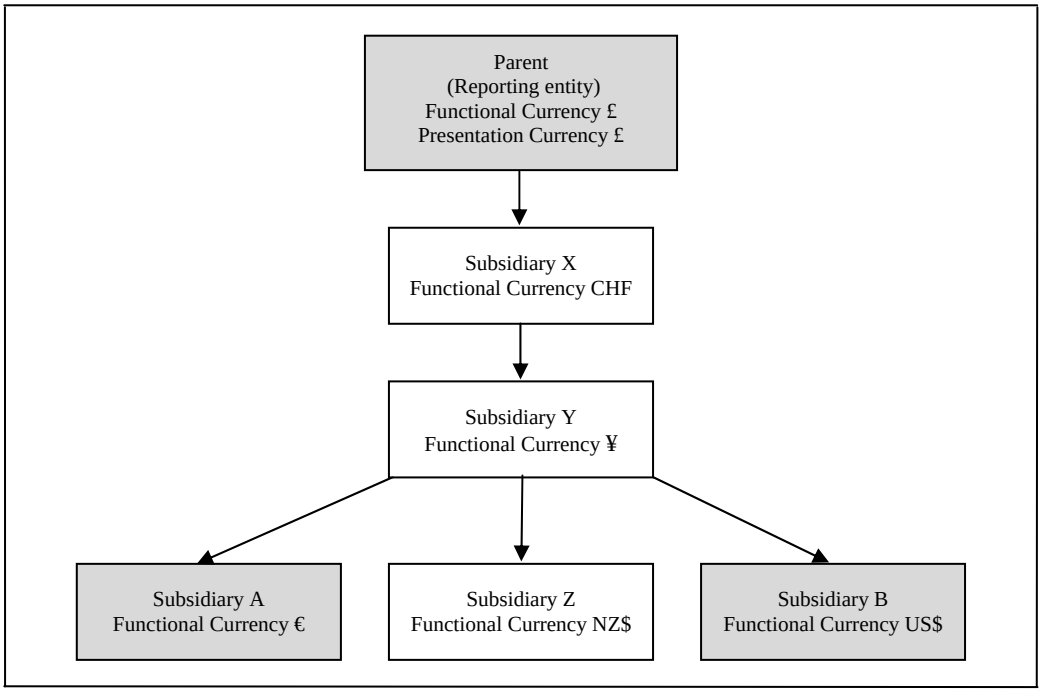
28. Does the IFRIC agree that, in a hedge of a NI, determination of whether a hedging instrument is effective at inception depends on the underlying inputs that value the instrument (ie those amounts that are expected to be recorded in profit or loss) compared to the movements on the NI against the functional currency of the parent hedging that NI?

B HEDGING AN ECONOMIC EXPOSURE

29. At the January IFRIC meeting, the IFRIC concluded that a hedged risk should represent an economic exposure, which can only arise between functional currencies. Thus, any interpretation issued by IFRIC would prohibit an entity from hedging its elected presentation currency.

30. The IFRIC also discussed the type of economic risk being hedged. Discussions considered whether the economic risk in the hedge of a NI has similar characteristics to either a cash flow or a fair value type risk. The discussion ended with the IFRIC deciding that the risk arising from a NI is not comparable to the economic risk arising from either a cash flow or fair value hedge; rather, it is its own separately defined type of risk.

31. The IFRIC asked staff to consider two different approaches to identify at what level, in a group with multiple levels, a hedgeable risk arises in a NI hedge. One approach is a top down approach and the other is a bottom up approach. The following diagram is an extension of the example used in Section A, and will be used to consider the merits of both approaches.



Top down approach

32. The top down approach proposes that, at the consolidated level, the hedgeable risk created by a net investment is limited to the risk arising between the functional currency of the NI and the functional currency of the *group parent* preparing its consolidated financial statements. In the example in paragraph 31, under the top down approach, in Parent's consolidated financial statements the following exposures would be considered to give rise to a hedgeable risk in the hedge of a NI:

    (a) Parent (£) and Subsidiary X (Swiss Franc – CHF)
    (b) Parent (£) and Subsidiary Y (Japanese Yen – ¥)
    (c) Parent (£) and Subsidiary Z (New Zealand Dollar – NZ$)
    (d) Parent (£) and Subsidiary A (€)
    (e) Parent (£) and Subsidiary B (US$)

33. The top down approach assumes that the functional currency of the group parent is important in establishing risk for the consolidated group. Parent is preparing its consolidated financial statements and thus Parent is the entity that is exposed to risks arising from its NIs.

34. One outcome of the top down approach is that it limits the number of different hedging relationships an entity can hedge. Under the top down approach if Subsidiary Y prepared its own consolidated financial statements, it could hedge its exposure to Subsidiary Z. In this case the group parent is Subsidiary Y, which is hedging the ¥ / NZ$ fluctuations. However, when Parent then prepares consolidated financial statements, the hedge that qualified for hedge accounting in Subsidiary Y's financial statements does not qualify in Parent's consolidated financial statements and must be reversed under the top down approach. This is because in Parent's consolidated financial statements, the ¥ / NZ$ would be considered to be only a 'portion' of the translation exposure of the group parent. In some cases the ¥ / NZ$ portion could be larger than the whole exposure of the group. The Board is currently considering changes to IAS 39 that would significantly restrict the scope for identifying portions. Thus, the top down approach, which would not recognise such portions, could be considered consistent with IFRS.

35. Some might view the top down approach as treating the functional currency of the parent entity as the functional currency of the group. However, IAS 21 *The Effects of Changes in Foreign Exchange Rates* states that a group does not have a functional currency; rather, it is made up of a number of functional currencies.

36. The top down approach can create problems if Parent is simply a shell company and its functional currency has no economic bearing on the group. For example, if Subsidiary X and Parent are shell companies, and Subsidiary Y completes the majority of operations in ¥, does the majority of risk arise at the level of Subsidiary Y? If yes, then should Parent be able to hedge the exposure arising between the ¥ and Subsidiary Y's NIs?

37. Problems also arise when Parent entity is dual listed and may have two operations within the parent that have different functional currencies. Which functional currency should the entity hedge against?

Bottom up approach

38. The bottom up approach proposes that at the consolidated level, the hedgeable risk created by a net investment can be any risk between the NI and any immediate, intermediate or ultimate parent in the chain. In accordance with the bottom up approach, the exposures listed in paragraph 32 would qualify for hedge accounting in Parent's consolidated financial statements, as well as the following exposures:

(a) Subsidiary X (CHF) and Subsidiary Y (¥)
(b) Subsidiary X (CHF) and Subsidiary Z (NZD)
(c) Subsidiary X (CHF) and Subsidiary A (€)
(d) Subsidiary X (CHF) and Subsidiary B (US$)
(e) Subsidiary Y (¥) and Subsidiary Z (NZ$)
(f) Subsidiary Y (¥) and Subsidiary A (€)
(g) Subsidiary Y (¥) and Subsidiary B (US$)

39. This approach highlights the importance of each entity's functional currency and is trying to preserve, in the group consolidated financial statements, the risk arising from each NI's functional currency. It is important to note that the bottom up approach would not allow an entity to hedge a risk twice. Ie if Parent hedges the risk between £ and the ¥, Subsidiary X could also hedge its risk against the ¥ in its own consolidated financial statements, but the hedge would

not qualify in the Parent's consolidated financial statements as the risk would be being hedged twice.

40. Allowing a bottom up approach to a hedge of a NI, will increase the number of hedge relationships an entity can hedge. However, it could be argued that designation and documentation will identify the hedged risk and the offsetting hedging instrument.

41. IAS 21 appears to take a bottom up approach to recognise and measure gains and losses on foreign currency *transactions*. However, those different gains and losses are not components of a total risk (ie they are not a portion of the total risk in the parent's consolidated financial statements); rather they derive from separate transactions. Therefore, it does not follow that IAS 21 insists on a bottom up approach for the translation difference that arises on consolidation.

US GAAP

42. US GAAP is very specific in what it does and does not allow an entity to hedge in group consolidated financial statements. The only risk that can be hedged is the difference between the functional currency of the NI and the functional currency of the *immediate* direct parent[4]. Thus in the above example the following risks could be hedged in Parent's consolidated financial statements:

(a) Parent (£) and Subsidiary X (CHF)
(b) Subsidiary X (CHF) and Subsidiary Y (¥)
(c) Subsidiary Y (¥) and Subsidiary Z (NZ$)
(d) Subsidiary Y (¥) and Subsidiary A (€)
(e) Subsidiary Y (¥) and Subsidiary B (US$)

43. This approach recognises a risk in Parent's consolidated financial statements at each level of NI, but does not recognise risks between individual subsidiaries and the ultimate parent, if there is an intermediate parent with a different functional currency that is not hedged. Ie it does not recognise as a direct risk the £ / ¥ exposure; the only way Parent could hedge this risk would be to hedge its risk in Subsidiary X and then ensure Subsidiary X hedged its risk in Subsidiary Y. US GAAP states that the reasoning for this requirement is that Parent with a different functional currency to Subsidiary X is not *directly*

[4] Statement 133 paragraphs 42 and 40(a), Statement 133 Implementation Issue No. H1.

exposed to the risk arising from Subsidiary X's NI in Subsidiary Y and thus Parent can not hedge it. This requirement also exists for transaction exposures.

44. As discussed in Section A, the functional currency of the entity holding the hedging instrument can also affect whether the hedging instrument will qualify for hedge accounting. If Parent entity held a swap instrument that would, under the staff proposals, be effective in hedging a CHF / ¥ exposure (a recognised exposure under US GAAP), the hedging instrument would not qualify for hedge accounting under US GAAP. This is because Parent has a functional currency of £ which is different to Subsidiary B (CHF) – the entity which is hedging its NI. However, US GAAP would allow Parent and Subsidiary B to enter an internal contract to move the risk on the hedging instrument to Subsidiary B (where US GAAP states the risk arises). This internal contract would survive on consolidation as a hedging instrument.

Further considerations

45. A further consideration in the example is if Parent invests in Subsidiary X and Subsidiary X invests a large proportion of its net assets in Subsidiary Y. Can Parent view its currency translation exposure as ending in CHF at Subsidiary X, or should Parent look through Subsidiary X to its exposures in Subsidiary Y and below to ensure it is capturing its full exposure? Irrespective of the method of consolidation, should Parent hedge down to its lowest level of NI to cover its full risk? Ie should a parent look through all of its NIs to find the full extent of its exposure at the lowest possible level? Or is hedging the exposure to CHF at the Subsidiary X level sufficient to cover all of Parent's risk?

46. The staff would also like to highlight that when a parent entity has a presentation currency that is different to its functional currency, both the top down, bottom up and US GAAP approach would always result in an amount recognised in equity that can not be hedged. This is a result of the IFRIC's decision not to allow entities to hedge to a presentation currency.

47. Does the IFRIC prefer the top down, bottom up or US GAAP approach to assessing the risks arising from a NI?

APPENDIX A – EXAMPLE WITH SWAP CONTRACT HELD BY SUBSIDIARY A

	Spot Exchange Rate ($ / £)	Swap Rate ($ / £)	FV of Fwd for period based on forward rates	FV of Fwd for period based on spot rates	Value of Net Investment	Movement on Net Investment
01-Jan-05	1.90	1.92	£0.00	£0.00	£157.9m	£0.00
01-Dec-05	1.80	1.80	(£10.4m)[1]	(£8.8m)[2]	£166.7m	(£8.8m)

1 - (£10.42m) = ($300m / 1.92) – ($300m / 1.80)
2 - (£8.77m) = ($300m / 1.90) – ($300m / 1.80)

APPENDIX B – EXAMPLE WITH BORROWINGS HELD BY SUBSIDIARY A

Year 0	Parent £	Sub A €	Sub A £	Sub B $	Sub B £	Consol Adjusts A	Consol Adjusts B	TOTAL GROUP £
Assets	200.0	0.0	0.0	300.0	157.9			357.9
Net Investment in Subsidiary B	157.9	0.0	0.0	0.0	0.0		(157.9)	0.0
Total	357.9	0.0	0.0	300.0	157.9	0.0	(157.9)	357.9
Net Investment in Subsidiary A	(157.9)	0.0	0.0	0.0	0.0	157.9		0.0
Liability in $	0.0	(236.8)	(157.9)	0.0	0.0			(157.9)
Total	(157.9)	(236.8)	(157.9)	0.0	0.0	157.9	0.0	(157.9)
Equity	(200.0)	236.8	157.9	(300.0)	(157.9)	(157.9)	157.9	(200.0)
P & L reserve	0.0	0.0	0.0	0.0	0.0			0.0
FCTR	0.0	0.0	0.0	0.0	0.0			0.0
	(200.0)	236.8	157.9	(300.0)	(157.9)	(157.9)	157.9	(200.0)

Year 1	Parent £	Sub A €	Sub A £	Sub B $	Sub B £	Consol Adjusts A	Consol Adjusts B	TOTAL GROUP £
Assets	200.0	0.0	0.0	300.0	166.7			366.7
Net Investment in Subsidiary B	157.9	0.0	0.0	0.0			(157.9)	0.0
Total	357.9	0.0	0.0	300.0	166.7	0.0	(157.9)	366.7
Net Investment in Subsidiary A	(157.9)	0.0	0.0	0.0	0.0	157.9		0.0
Liability in $	0.0	(233.3)	(166.7)	0.0	0.0			(166.7)
Total	(157.9)	(233.3)	(166.7)	0.0	0.0	157.9	0.0	(166.7)
Equity	(200.0)	236.8	157.9	(300.0)	(157.9)	(157.9)	157.9	(200.0)
P & L reserve	0.0	(3.5)	(2.5)	0.0	0.0			(2.5)
FCTR	0.0	0.0	11.3	0.0	(8.8)			2.5
	(200.0)	233.3	166.7	(300.0)	(166.7)	(157.9)	157.9	(200.0)

Exchange Rates		
	Year 0	Year 1
GPB	1.00	1.00
EUR	1.50	1.40
USD	1.90	1.80