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**International  
Accounting Standards  
Board**

*This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.*

*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: May 2008, London**

**Project: D22 Hedges of a Net Investment in a Foreign Operation –  
Approval of Interpretation (Agenda Paper 3A)**

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## **A Introduction**

- 1 At its January and March 2008 meetings, the IFRIC considered comments received on draft Interpretation D22 *Hedges of a Net Investment in a Foreign operation*. It decided to proceed to a final Interpretation based on the proposed requirements, but to change some of the details in the light of comments received.
- 2 A revised draft Interpretation is attached—Paper 3B.
- 3 The aim of this meeting is to:

- a) approve the drafting of changes decided upon at the January and March meetings (in particular, those discussed in Sections B);
- b) consider the need for re-exposure (Section C); and
- c) approve the Interpretation (Section D).

## **B Approval of the drafting changes decided upon at the January and March meetings**

### *Main changes*

4 The draft Interpretation has been altered in three significant respects since it was exposed for comment as D22:

- a) *recycling on disposal of the foreign operation and the possible effect of the consolidation method* The Interpretation now clarifies the amount reclassified to profit and loss from the foreign currency translation reserve in the consolidated financial statements of the parent (in respect of both the hedging instrument and the net investment in that foreign operation) when a foreign operation that was hedged is disposed of.
- b) *transition* The Interpretation clarifies transitional requirements.
- c) *illustrative examples* The Appendix of Application Guidance replaces all the Illustrative Examples from the draft.

5 We believe that we have covered all the points the IFRIC wished to make. In particular, we added the discussions about recycling on disposal of the foreign operation and the possible effect of the consolidation method in this circumstance to the interpretation, application guidance and basis for conclusions:

- In the Interpretation, paragraphs 6, 9bii, 9c, 16 and 17.
- The Appendix of Application Guidance which replaces all the Illustrative Examples from the draft.
- In the Basis for Conclusions, paragraphs 24, 26 to 31, 32 to 37 and 38.

The balance of the Interpretation is essentially unchanged from the draft except for the terminology change of recycling in accordance with IAS 1 (revised).

### **Question for the IFRIC**

6 Are you happy with these suggested amendments?

### ***Other changes***

7 Other changes are explained in BC39 on the draft Interpretation. None of these changes will be discussed at this meeting, unless raised for discussion by an IFRIC member.

#### **Question for the IFRIC**

8 Have you identified any other matters that you think need to be discussed in the meeting?

## **C Re-exposure**

9 The *Due Process Handbook for the IFRIC* states that:

40 If the proposed Interpretation is changed significantly, the IFRIC will consider whether it should be re-exposed. Re-exposure is not required automatically and will depend on the significance of the changes contemplated, whether they were raised in the Basis for Conclusions on the draft Interpretation or in questions posed by the IFRIC, their significance for practice and what might be learned by the IFRIC from re-exposure.

10 The draft Interpretation has been altered in three significant respects since it was exposed for comment as D22 (see paragraph 4 of this paper). Although they do not change the requirements themselves, these changes provide clarification that the constituents requested or highlight consequences of the requirements that some constituents may not have understood when commenting on the draft Interpretation.

11 The fundamental requirements of the Interpretation are virtually unchanged from those exposed for comment. The constituents supported the proposals. The changes made were in response to comments received. The revisions have been reviewed by

technical experts during their development. The staff therefore recommend that the Interpretation not be re-exposed.

**Question for the IFRIC**

- 12 Do you agree?

**D Vote to confirm consensus**

- 13 If no substantial issues arise from the matters discussed above, the IFRIC will be asked to vote to confirm the consensus at this meeting. If no more than four members vote against the proposal, the IASB will be asked to approve the Interpretation at its June meeting.