



**The Hundred Group**  
of Finance Directors

**Financial Reporting Committee**

Sandra Thompson  
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International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

26 October 2004

Dear Ms Thompson

**Proposed amendment to IAS39: Cash flow hedge accounting of forecast intra-group transactions**

We are pleased to submit our comments on the above proposals.

We are aware that other commentators have provided detailed responses on the proposals and, rather than duplicate their work, we have restricted our comments to what we believe are the important principles.

As the trend towards globalisation continues, there are growing cross-border intra-group flows of products and services. Where such transactions are significant, it makes commercial sense to hedge the foreign exchange risks associated with them. We do not, therefore, welcome these proposals which would restrict the ability to apply hedge accounting to forecast intra-group transactions.

We understand that the proposals have been developed in response to criticism of the deletion from the March 2004 version of IAS39 paragraph IGC137-14 that permitted hedge accounting for forecast intra-group transactions. Rather than simply reinstate IGC137-14, the IASB has instead produced proposals that are not only unnecessarily complex but also, we believe, are drafted in such a way as to unwittingly permit hedge accounting to be applied to translational hedging of the income statement in certain circumstances.

We believe that the opportunity has been missed to eliminate one of the differences between IFRS and US GAAP which unequivocally permits hedge accounting to be applied to forecast intra-group transactions.

Yours sincerely

**Ken Lever**  
**Chairman, 100 Group – Financial Reporting Committee**