LIBERTY LIFE

2 December 2008

International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Email: CommentLetters@iasb.org

Dear Sir/Madam

LIBERTY GROUP LIMITED SUBMISSION ON EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 33 – *SIMPLIFYING EARNINGS PER SHARE*

We support the comment letter prepared by The South African Institute of Chartered Accountants (SAICA) in response to your request for comments on the IASB's exposure draft, Proposed Amendments to IAS 33 **–** *Simplifying Earnings Per Share.* The SAICA comment letter results from deliberations of the Accounting Practices Committee (APC), which is the technical advisory body to the Accounting Practices Board, the official standard setting body in South Africa.

In light of the IASB proposing changes to the current IAS 33, we would like the IASB to consider taking the opportunity to further revise the standard to address the anomaly that arises in the earnings per share calculation when a partially held subsidiary holds treasury shares in the holding company, which is discussed in this submission.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

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LIBERTY GROUP LIMITED SUBMISSION ON EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 33 – *SIMPLIFYING EARNINGS PER SHARE*

PARTIALLY HELD SUBSIDIARY HOLDING TREASURY SHARES IN THE HOLDING COMPANY

In light of the IASB proposing changes to the current IAS 33 in the Exposure Draft *Simplifying Earnings per Share*, we would like the IASB to consider taking the opportunity to further revise the standard to address the anomaly that arises in the earnings per share calculation when a partially held subsidiary holds treasury shares in the holding company.
See Appendix A for the example.

Proposed solution

We would like to request that the IASB utilise this opportunity to consider amending the Standard to rectify the distortion of EPS in situations where holding company shares held by a partially owned subsidiary are accounted for as treasury shares on consolidation.

The current application of IAS 33 results in an anomaly as the denominator in the calculation is reduced by the total number of treasury shares (i.e. includes the minorities effective share of those treasury shares).

We recommend that a new paragraph under the Shares section of IAS 33 be included as follows:
"Ordinary shares held in a subsidiary and accounted for as treasury shares on consolidation should not be treated as outstanding to the extent that the Holding company has an effective ownership interest therein".

LIBERTY GROUP LIMITED SUBMISSION ON EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 33 – *SIMPLIFYING EARNINGS PER SHARE*

Appendix A

<u>Issue as per current IAS 33</u>

The current earnings per share calculation as per IAS 33, in a situation where a partially held subsidiary holds treasury shares in the holding company, results in a different earnings per share for ordinary equity holders at the holding company level than is the economic reality. This arises from the weighted number of outstanding shares being adjusted for the full number of treasury shares held by the subsidiary and not the effective holding company shareholders interest therein.
This is illustrated by the following example:

Assumptions

1. H Co owns 60% of Sub Co, with 40% owned by minorities.
2. H Co has 500 shares in issue for the whole period under review.
3. Sub Co's only assets are 100 shares in H Co.
4. H Co's fair value per share at the beginning of the period was CU5. This increased to CU 7.5 per share at the end of the period. Sub Co's earnings for the period was CU2.5 * 100 shares = CU250.
5. H Co's earnings (before consolidation) for the period was CU3 000.

Example 1 Basic earnings per share (without treasury share adjustment)	**CU**	**No of shares in issue**
H Co earnings before consolidation	3 000	
H Co ordinary equity holders share of Sub Co earnings (60% of CU250)	150	
Total earnings attributable to H Co ordinary equity holders	3 150	
Total weighted number of ordinary shares outstanding for the period (without deducting for treasury shares in issue)		500
Earnings per share	6.3	

Example 2 Basic earnings per share as per current IAS 33 adjusting for treasury shares	**CU**	**No of shares in issue**
H Co earnings before consolidation	3 000	
H Co ordinary equity holders share of Sub Co earnings (60% of CU250)	150	
Reduce Sub Co earnings for treasury shares fair value adjustment	(150)	
Total earnings attributable to H Co ordinary equity holders	3 000	
Weighted number of ordinary shares outstanding for the period		500
Less total number of treasury shares		(100)
Total weighted number of ordinary shares outstanding for the period		400
Earnings per share per current IAS 33	7.5	

Example 3 Proposed calculation of EPS	**CU**	**No of shares in issue**
Total earnings attributable to H Co ordinary equity holders	3 000	
Weighted number of ordinary shares outstanding for the period		500
Less treasury shares attributable to H Co shareholders (100 shares * 60)		(60)
Total weighted number of ordinary shares outstanding for the period		440
Suggested earnings per share	6.82	

Proof		
Assume that Sub Co declared a dividend in specie of its shareholders in H Co at the beginning of the period. Therefore Sub Co would have no earnings for the period under review.		
Total earnings attributable to H Co ordinary equity holders	3 000	
Uplift of treasury shares held by H Co (60 shares * CU2.5)	150	
Reduction of earnings for treasury shares fair value adjustment	(150)	
Total earnings attributable to H Co ordinary equity holders	3 000	
Weighted number of ordinary shares outstanding for the period		500
Less treasury shares received from Sub Co (100 shares * 60%)		(60)
Total weighted number of ordinary shares outstanding for the period		440
Earnings per share	6.82	