



The Hundred Group
of Finance Directors

Financial Reporting Committee

Hans Hoogervorst Esq
Chairman
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

23 March 2012

Dear Hans

ED/2011/7 'Transition Guidance - Proposed Amendments to IFRS 10'

We are pleased to submit our comments on the proposed transition guidance for IFRS 10 *Consolidated Financial Statements*.

Who we are

The Hundred Group is a non-political, not-for-profit organisation which represents the finance directors of the UK's largest companies, with membership drawn mainly, but not entirely, from the constituents of the UK FTSE100 Index. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation. Whilst this letter expresses the views of The Hundred Group of Finance Directors as a whole, they are not necessarily those of our individual Members or their respective employers.

Summary of our views

We are broadly supportive of the amendments which we believe provide greater clarity for preparers. We set out our responses to the specific questions asked by the Board in the Appendix.

Transitional arrangements

We draw the Board's attention to the implications of paragraph 28(f) of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', which requires that when an entity initially applies an IFRS it shall disclose (for the current period and each prior period presented) the amount the adjustment for each financial statement line item.

In the case of IFRS 10, there may be adjustments to almost every line item in the financial statements (where an entity is either consolidated or de-consolidated as a result of the application of the standard). While we accept that this may enable users to reconcile prior years, we believe that providing details of the adjustments for the current period may give rise to practical difficulties for preparers and is likely to be of little or no benefit to users.

We therefore request that the Board grants an exemption from the requirements of paragraph 28 (f) of IAS 8 to state the effect of the new standards in the year of adoption. We recommend that in due course the Board removes this requirement from IAS 8.

EU endorsement

As the Board will be aware, EFRAG's draft of its endorsement advice letter to the European commission recommends the effective date of IFRSs 10, 11 and 12 should be 1 January 2014. We are sure that we do not need to elaborate on the potential consequences of this for EU-listed companies that are registered as foreign private issuers with the SEC.

EFRAG has recommended to the European Commission that EU-listed companies should be able to adopt the standards early but we understand that, for this to be practicable, the European Commission must endorse the standards with or without the amended effective date by 1 January 2013.

We therefore urge the Board to work with EFRAG to ensure that the standards are endorsed with or without an amended effective date by the end of 2012.

Yours sincerely

Chris Lucas
Chairman
Hundred Group – Financial Reporting Committee

Responses to specific questions

Question 1

The Board proposes to clarify the 'date of initial application' in IFRS 10. The date of initial application for IFRS 10 would be 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The Board also proposes to make editorial amendments to paragraphs C4 and C5 of IFRS 10 to clarify how an investor shall adjust comparative period(s) retrospectively if the consolidation conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

We welcome the clarification of the date of initial application and how an investor shall adjust comparative periods.

We suggest that the Board also clarifies which version of IFRS 3 *Business Combinations* (or, indeed, IAS 22 *Business Combinations*) should be used when measuring the assets, liabilities and non-controlling interests of a previously unconsolidated investee in paragraphs C4 and C4A.

Question 2

The Board proposes to amend paragraph C3 of IFRS 10 to clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same under IAS 27/SIC-12 and IFRS 10. As a result, the Board confirms that relief from retrospective application of IFRS 10 would apply to an investor's interests in investees that were disposed of during a comparative period such that consolidation would not occur under either IAS 27/SIC-12 or IFRS 10 at the date of initial application.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

We support the proposed transition relief which means that only those investees which exist on the date of initial application need be considered and therefore reduces the burden for preparers on transition.