

Mr. Wayne Upton
Chairman
International Financial Reporting Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: ifric@ifrs.org

5 September 2012

Dear Mr. Upton,

Draft IFRIC Interpretation DI/2012/2 *Put Options Written on Non-controlling Interests*

Deloitte Touche Tohmatsu Limited is pleased to comment on the IFRS Interpretations Committee's (the Committee's) Draft Interpretation DI/2012/2 *Put Options Written on Non-controlling Interests* (referred to as the 'draft Interpretation').

Whilst we agree that the draft Interpretation provides an appropriate analysis of the IFRS literature, we believe the Board should consider standard-setting activity in this area to ensure that financial statements present relevant information about such transactions. Specifically, we believe that the Board should reconsider its decision to reject the Committee's recommendation to remove NCI puts from the scope of IAS 32 *Financial Instruments: Presentation* and to account for them as derivatives in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*.

More generally, and as we indicated in our response to the IASB's *Agenda Consultation 2011*, the distinction between debt and equity instruments is highly complex in many instances and raises various accounting issues that should be dealt with as a matter of priority to address some fundamental issues in IAS 32. We also believe that consideration should be given to extending any decision to treat NCI puts as derivatives to puts or forwards to purchase an entity's own equity instruments.

If the Committee decides to finalise this Interpretation, we recommend that it extend its scope to deal with other related transactions with non-controlling interests (NCI) such as forward purchase contracts. It would be inappropriate for only a subset of similar transactions to be addressed by the Interpretation if there is diversity in accounting treatment for other contracts over NCI.

Our detailed responses to the invitation to comment questions are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 207 007 0884.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'V Poole', with a stylized flourish at the end.

Veronica Poole
Global IFRS Leader – Technical

cc Hans Hoogervorst, Chairman - IASB

Appendix: Invitation to Comment

Question 1 – Scope

The draft Interpretation would apply, in the parent’s consolidated financial statements, to put options that oblige the parent to purchase shares of its subsidiary that are held by a non-controlling-interest shareholder for cash or another financial asset (NCI puts). However, the draft Interpretation would not apply to NCI puts that were accounted for as contingent consideration in accordance with IFRS 3 Business Combinations (2004) because IFRS 3 (2008) provides the relevant measurement requirements for those contracts.

Do you agree with the proposed scope? If not, what do you propose and why?

We do not agree with the proposal to limit the scope of the Interpretation to put options written on NCI. We believe that the Interpretation should also cover the treatment of forward purchase contracts written on NCI. Restricting the scope of the Interpretation puts pressure on the distinction between an option and a forward and leaves open the possibility that similar transactions could be accounted for differently.

In addition, we do not believe that the scope of the Interpretation should be restricted to obligations of the parent to purchase shares of its subsidiary as such a contract written by another entity within the group should be treated in the same way.

We agree with the exclusion of NCI puts accounted for as contingent consideration under IFRS 3(2004) from the scope of the draft Interpretation as any change in the treatment of these instruments would require a reassessment of the transitional provisions of IFRS 3(2008).

Question 2 – Consensus

The consensus in the draft Interpretation (paragraph 7 and 8) provides guidance on the accounting for the subsequent measurement of the financial liability that is recognised for an NCI put. Changes in the measurement of that financial liability would be required to be recognised in profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments.

We agree that recognition of changes in measurement of the financial liability for an NCI put in profit or loss is an appropriate interpretation of the current requirements of IAS 32, IAS 39 and IFRS 9. However, we believe that the issue demands further attention by the Board to ensure that relevant information is reported in the financial statements about such transactions. For this reason, we encourage the Board to reconsider its decision not to proceed with the limited amendment to the scope of IAS 32 proposed by the Committee in September 2011 as we believe that accounting for such contracts as derivatives in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments* would provide the most relevant information.

Question 3 – Transition

Entities would be required to apply the draft Interpretation retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Do you agree with the proposed transitional requirements? If not, what do you propose and why?

We agree with the proposed transitional requirements in the draft Interpretation.