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Mr Hans Hoogervorst
Chairman
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Email: commentletters@ifrs.org

18 February 2013

Dear Mr Hoogervorst

Exposure Draft ED 2012/2 – Annual improvements to IFRSs 2011—2013 cycle

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's (the IASB's) Exposure Draft Annual Improvements to IFRSs 2011—2013 Cycle ('the exposure draft').

We continue to be of the view that the Annual Improvement Project is an efficient and effective means of dealing with isolated issues within IFRSs that are leading to divergent practice and support the amendments proposed in the exposure draft, albeit with some recommendations for drafting changes and amendments to transitional provisions.

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

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 20 7007 0884.

Yours sincerely

Veronica Poole
Global IFRS Leader
Technical

Deloitte.

Appendix

Question 1

Proposed amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards — Meaning of effective IFRSs

We agree with the proposal to clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' and that this can be achieved by amendment to the basis for conclusions to IFRS 1 as paragraphs 7-9 of the Standard are, in themselves, clear.

We recommend, however, that the proposed revisions to paragraph BC11 be amended to refer to "a single version of each IFRS (being the version in effect at the end of its first IFRS reporting period or a new or revised IFRS that is not yet mandatory but that the entity chooses to early apply) throughout all periods presented in its first IFRS financial statements" as:

- use of the term 'all' would be consistent with paragraph 7 of IFRS 1 and would avoid any implication that different versions could be applied in different periods presented; and
- inclusion of a description of which version of each IFRS is applied would explain why the requirements of IFRS 1 confer the advantage of using later versions of IFRSs referred to in IFRS 1.BC11(b).

In addition, we suggest that the final sentence of proposed paragraph BC11A be amended to state that "that new IFRS will be applied throughout all periods presented in its first IFRS financial statements on a retrospective basis unless IFRS 1 provides an exemption or an exception as specified in paragraphs 13-19 and Appendices B-E, that permits or requires otherwise" to provide clarity on the exemptions and exceptions being referenced and how they are applied.

Proposed amendment to IFRS 3 Business Combinations — Scope exceptions for joint ventures

We agree that the scope exception in IFRS 3 should apply to the formation of both a joint operation and a joint venture in the financial statements of the joint arrangement itself as classification at the level of the parties to a joint arrangement should not affect whether this exception applies in the joint arrangement's own financial statements.

We also agree with the proposal to restrict this scope exception to the financial statements of the joint arrangement itself on the basis that the formation of a joint arrangement does not fall within the scope of IFRS 3 in the financial statements of a party to the joint arrangement (because it does not constitute a business combination) and therefore the scope exception is redundant in the financial statements of a party to the joint arrangement.

Proposed amendment to IFRS 13 Fair Value Measurement — Scope of paragraph 52 (portfolio exception)

We agree that the portfolio exception in paragraph 52 should not be restricted to instruments that meet the definitions of financial assets or financial liabilities in IAS 32. To give this clarification appropriate prominence, we recommend that the section heading preceding paragraph 52 be amended to incorporate reference to "contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9."

Proposed amendment to IAS 40 Investment Property — Acquisition of investment property: interrelationship with IFRS 3

We agree with the proposal to clarify that the assessment of whether the acquisition of investment property represents a business combination should be performed based on the definition in IFRS 3. IAS 40 is relevant to the assessment of whether an item of property constitutes an investment property.

Question 2

We agree with the proposed effective dates for all of the proposed amendments and with the proposed transitional provisions, with the exception of those for the proposed amendment to IFRS 3 which we believe should be applied prospectively to avoid the use of hindsight in retrospectively amending the accounting for a previous transaction.