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10 September 2004

Mr. Kevin Stevenson, Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Stevenson,

Members' Shares in Co-operative Entities

Deloitte Touche Tohmatsu is pleased to comment on the International Financial Reporting Interpretations Committee's (IFRIC) Draft Interpretation 8 – *Members' Shares in Co-operative Entities* (the draft Interpretation or D8).

We believe the draft Interpretation is an appropriate and practical interpretation of IAS 32 *Financial Instruments: Disclosure and Presentation* and support its issuance. We note the draft Interpretation addresses two significant matters of principle—adopting a portfolio approach (BC14-BC16) and reclassification (BC17). While we are cautious about the ramification such an interpretation may have when applied by analogy, we note that these issues are currently being addressed in the IASB's project on the distinction between debt and equity. Pending further consideration by the IASB, we believe the IFRIC's approach is appropriate under current IFRS.

The sentence in IAS32.AG25 emphasised in Example 2 provides "…a statutory restriction…" as on example of an item that "…does not negate the obligation." We do not believe the draft Interpretation adequately explains why this guidance does not apply when statutory restrictions prohibit the ability of an entity to satisfy its obligation to redeem shares (as highlighted in Examples 4 and 5). We believe the guidance in A12 of the draft Interpretation should be expanded and further clarified in the consensus or basis for conclusions.

We suggest the final Interpretation provide guidance on accounting for restrictions to redeem that are based on involuntary cessation. For example, if an entity's charter states that it has the unconditional right to refuse redemption, unless of death by the holder, should that instrument be classified as equity until such event occurs? Additionally, what if instead of death, the triggering event was the cessation of a qualifying activity for membership—which is wholly within the control of the holder?

We appreciate the opportunity to provide our comments. If you have any questions concerning our comments, please contact Ken Wild in London at (020) 7007 0907.

Sincerely,

Deloitte Touche Tohmatsu