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25 February 2009

Dear Bruce

ED 175 Post-implementation Revisions to AASB Interpretations

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on Exposure Draft ED 175 which is a re-badged copy of the International Accounting Standards Board's Exposure Draft ED/2009/1 (the ED).

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses, and this submission has benefited with input from our clients, Grant Thornton International which will be finalising a global submission to the IASB, and discussions with key constituents.

We are supportive of the proposed revisions and the proposed effective date of application. In particular we believe that in this instance the impediment that the AASB has indentified should be rectified so that Australian requirements remain consistent with IFRS.

If you require any further information or comment, please contact me.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED

Keith Reilly
National Head of Professional Standards

Our Ref: L-090223-KR-AASB-IASB ED 175 POST-IMPLEMENTATION REVISIONS TO AASB INTERPRETATIONS

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Appendix 1: Responses to Exposure Draft Questions

ED 175 Post-implementation Revisions to AASB Interpretations
Invitation to comment questions

Question 1 – Amendment arising from IFRS 3

This The Board proposes to amend paragraph 5 of IFRIC 9 to exclude from its scope embedded derivatives in contracts acquired in combinations of entities or businesses entities under common control and in the formation of joint ventures.

Do you agree with the proposal? If not, why?

The Board has stated that when it revised IFRS 3, it did not intend to change existing practice to bring the formation of a joint venture or a common control transaction within the scope of IFRIC 9. Given this fact and the fact that such transactions are not specifically addressed by IFRIC 9, we believe that it is appropriate to amend paragraph 5 to clarify that such transactions are not brought within the scope of IFRIC 9 as a result of the changed definition of a business combination in IFRS 3 (as revised in 2008).

Question 2 – Effective date

The proposed amendment to IFRIC 9 would be effective for annual periods beginning on or after 1 July 2009 with prospective application, and would require an entity that applies IFRS 3 (revised 2008) for an earlier period to disclose that fact and apply the amendment to IFRIC 9.

Do you agree that this amendment should apply for annual periods beginning on or after 1 July 2009 with prospective application? If not, why?

In general we would not support amendments that take effect for periods beginning prior to the date of publication. In this instance, however, the proposed amendment removes a restriction that was inserted by IFRIC 16. The amendment restores this aspect of IAS 39's hedge designation rules to the pre-IFRIC 16 position (depending on how the relevant requirements of IAS 39 were interpreted prior to IFRIC 16). Ideally, therefore, the effective date and transition provisions would together operate in a manner that would avoid or 'put right' any disruption to hedge accounting practice that the current version of IFRIC 16 may have caused. For example:

- An entity may have acquired a hedging instrument that would not have qualified under existing paragraph 14 of IFRIC 16 but will qualify after the amendment. This entity will be unable to designate that instrument retrospectively.
- It is also possible that some entities have discontinued hedge accounting prospectively in accordance with the current version of IFRIC 16. It is not apparent to us how the proposed amendment should be applied by such entities.

We expect that these problems will be rare in practice. It is also difficult to see how the possible disruption issues could be addressed without adding detailed and complex transition provisions which we doubt are justified by the circumstances. We therefore agree that the most appropriate solution in this case is to align the effective date with IFRIC 16's current effective date.

Specific AASB Questions

1 Implementation date in Australia.

The IASB is proposing that entities which early apply IFRS 3 (as revised 2008 – annual reporting period that begins on or after 30 June 2007) shall also apply the proposed IFRIC 9 amendments and is further proposing that the amendments to IFRIC 16 be applicable to annual reporting periods beginning on or after 1 October 2008. AASB Standards are legislative instruments and under Australian law, there is an impediment to making an instrument that applies to a date prior to the instrument being made. Whilst this would not affect the AASB Interpretations itself, it would affect AASB 1048 which gives AASB Interpretations legislative authority.

We support the IASB's proposed effective date of application, and believe that in this instance the impediment that the AASB has indentified should be rectified so that Australian requirements remain consistent with IFRS.

2 (a) Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

i not-for-profit private sector entities;

ii for-profit public sector entities;

We are not aware of any regulatory issues that may effect the implementation of the proposals

2) (b) Whether overall, the proposals would result in financial statements that would be useful to users;

We believe that the proposals will result in financial statements that would be useful to users; and

2) (c) Whether the proposals are in the best interests of the Australian economy.

We believe that the proposals are in the best interests of the Australian economy.