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Dear Kevin

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on IFRIC Draft Interpretation D25 (D25). We have considered D25, as well as the accompanying draft Basis for Conclusions.

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 some initial input from our clients, Grant Thornton International which is working on a global submission to IFRIC, and discussions with key constituents.

The views expressed here are preliminary in nature, and a more detailed Grant Thornton global submission will be finalised by IFRIC's due date of 5 October 2009.

We agree that IFRS does not provide specific guidance on accounting for situations where an entity issues its own equity instruments to extinguish all or part of a financial liability, and that significant diversity in the treatment of such transactions has arisen in practice as a result. We are therefore supportive of IFRIC's efforts to develop guidance in this area.

In general we agree with the proposed Interpretation. We do have some concern over the wording used in D25.5 however and also over the scope of the proposed IFRIC. We discuss these points in more detail below.

Support for treating the issue of equity instruments as consideration paid

Overall we are supportive of D25's proposed consensus that the issue of an entity's equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with IAS 39 paragraph 41.

Although we support the proposed consensus, we note that various counter-arguments can nevertheless be made in support of a different approach. For example, normal practice in accounting for a share issue in exchange for cash is to record the issue at the proceeds received rather than the fair value of the shares issued. The definitions of income and expense in the *Framework for the Preparation and Presentation of Financial Statements* also exclude transactions with shareholders. On balance, however, we are of the view that the arguments presented in favour

of the IAS 39.41 approach by IFRIC are stronger and provide more relevant information to the users of the accounts.

Concern over the proposed wording relating to the measurement of equity instruments issued

We agree with the observation in BC13 that equity is a residual and should be measured initially by reference to changes in assets and liabilities. We also agree that in practice there may be difficulties in measuring the fair value of a liability in a restructuring. However as it is currently worded, D25.5 does not state that the default position is that equity should be measured initially by reference to the change in the liability, where this change can be reliably measured.

Scope of the proposed Interpretation

We also have some concerns over the scope of the proposed Interpretation. D25.BC6 states that IFRIC concluded that the proposed Interpretation should not address transactions with owners in their capacity as owners. This appears to us to be guidance, which should be reflected in D25.2 which addresses the scope of the proposed Interpretation

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

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly
National Head of Professional Standards