PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
GPO BOX 1331L
Melbourne Vic 3001
Australia
www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8613 2308
Direct Phone 03 8603 2022

Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

28 January 2009

Dear Bruce

Exposure Drafts ED 167, ED 168 and ED 172

I am enclosing copies of the PricewaterhouseCoopers responses to the following International Accounting Standards Board's Exposure Drafts:

- *Discontinued Operations: Proposed amendments to IFRS 5*
- *Additional Exemptions for First-time Adopters: Proposed amendments to IFRS 1*, and
- *Embedded Derivatives (Proposed Amendments to IFRIC 9 and IAS 39).*

The letters reflect the views of the PricewaterhouseCoopers network of firms and as such include our own comments on the matters raised in the Exposure Drafts.

We would welcome the opportunity to discuss our views at your convenience. Please contact me on (03) 8603 3868 if you would like to discuss this further.

Yours sincerely

Jan McCahey

Jan McCahey
Partner
Assurance

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
10-18 Union Street
London SE1 1SZ
Telephone +44 (0) 20 7583 5000
Facsimile +44 (0) 20 7822 4652
pwc.com/uk

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

13 January 2009

Dear Sir or Madam

Exposure Draft: Additional Exemptions for First-time Adopters: Proposed Amendments to IFRS 1

We are responding to your invitation to comment on the above exposure draft on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on this exposure draft. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We welcome the opportunity to comment on the Board's proposals on this important topic.

We support the intention of the Board to provide additional limited relief to first-time adopters with their transition to IFRS. We acknowledge that the areas identified by the Board in the ED have characteristics that might in some cases result in costs of full retrospective application of IFRS that exceed the associated benefits.

We agree with the proposed relief for oil and gas assets. We also agree with the proposed relief for operations subject to rate regulation, however we disagree with the conditions that are attached to this relief. The ED proposes that the relief be available only if both retrospective restatement in accordance with IAS 16 and use of fair value as deemed cost are impracticable. We suggest that the proposed relief be made available on an unlimited option basis as permitted by many other IFRS 1 exemptions.

We also agree with the proposal to provide relief for first-time adopters in the application of IFRIC 4. However, the proposed amendment, as written, will not provide any meaningful relief for entities that applied very similar requirements to IFRIC 4 under previous GAAP on a prospective basis. The similar requirements under both US and Canadian GAAP were applied prospectively as the cost of retrospective application was seen as onerous when compared to the benefits. The exemption, as written, only provides relief if the previous GAAP requirements were applied on a retrospective basis, which is how IFRIC 4 is applied. We suggest that first-time adopters that applied a very similar requirement prospectively under previous GAAP be permitted to carry forward that accounting without adjustment on transition to IFRS.

Our responses to the specific questions in the exposure draft are attached in appendix A to this letter.

If you have any questions on the content of this letter, please do not hesitate to contact Richard Keys, PwC Global Chief Accountant (+44 20 7212 4555), or Mary Dolson (+44 20 7804 2930).

Yours faithfully

PricewaterhouseCoopers

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Appendix A – Detailed responses

Deemed cost of oil and gas assets

Question 1: Do you agree with the proposed deemed cost option for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

Response: Yes. We agree that the requirement to discontinue the use of full cost accounting beyond the exploration and evaluation (IFRS 6) phase provides a significant challenge for entities on transition to IFRS. We agree with the Board's view that in many cases the information needed to attribute historical cost information to individual fields in the development or production phases may no longer be available. It may be time consuming and costly to obtain the required information, outweighing the benefits of doing so in other cases. We agree with the Board's proposal to permit allocation of existing book values to reserve volumes or values with a required impairment test to identify overstatement of assets.

Oil and gas assets disclosure

Question 2: Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

Response: Yes, we agree with the proposed disclosure requirements relating to the use of the deemed cost option for oil and gas assets. It is important that users of the financial statements are made aware that the exemption has been used. We also believe that it is important that the basis of allocation is disclosed, particularly if the relative values of the reserves and resources have been used, for the reasons described in our answer to question 1.

Deemed cost for operations subject to rate regulation

Question 3: Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

Response: Yes, we agree with the proposal to grant relief to entities with operations subject to rate regulation. However we disagree with the proposed restriction that this option is only available if other alternatives are impracticable. The ED proposes that this exemption be available only if both restatement in accordance with IAS 16 and use of fair value as deemed cost are impracticable.

We believe that the proposed exemption should be made available as an unconditional option. This would be consistent with the general premise of providing exemptions in specified areas where the cost of complying with full retrospective application would be likely to exceed the benefits to users of the financial statements (paragraph IN4 of IFRS 1).

Leases

Question 4: Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

Response: We agree with the proposal to provide relief in this area to first-time adopters. However, we note that the proposed exemption, as written, will not provide relief to entities that have applied similar requirements under previous GAAP on a prospective basis.

IFRIC 4 was required to be applied on a retrospective basis by existing IFRS preparers. Other GAAPs which required a similar assessment as IFRIC 4 required the assessment to be made prospectively. We believe that first-time adopters that applied a similar requirement prospectively under previous GAAP, should be permitted to carry forward that previous GAAP accounting on transition to IFRS without adjustment.

We understand that the rationale for the reliefs provided by IFRS 1 is to exempt the reporting entity from applying full retrospective application of IFRSs. We also understand that the effect of granting reliefs provides an entity with a pragmatic approach to preparing a reasonable opening IFRS balance sheet from which full IFRSs can be applied for all future periods. Accordingly an exemption that permits the continued application of a previous GAAP requirement that was similar to a corresponding IFRS requirement in all respects other than the date of application (including retrospective/prospective application) is consistent with the objective of providing an opening balance sheet from which IFRSs can be applied for future periods.

We include in Appendix B suggested alternative wording for the proposed amendment.

Assessments under previous GAAP before the date of transition to IFRSs

Question 5: Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

Response: We are not aware of any previous GAAP requirements similar to the IFRIC 4 relief proposed and referred to in question 4.

Appendix B – Suggested alternative wording for the IFRIC 4 exemption

Leases

25F A first-time adopter may apply the transitional provisions in IFRIC 4 *Determining whether an Arrangement contains a Lease*. Therefore, a first-time adopter may determine whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date. If a first-time adopter made the same determination under previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4 **and on either a prospective or retrospective basis**, the first-time adopter need not reassess that determination at the date of transition to IFRSs.

[Suggested alternative wording in bold red above]