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Our ref MT/288

Contact Mary Tokar

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12 February 2012

Dear Ms Flores

Adoption of IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities,* IAS 27 (2011) *Separate Financial Statements* and IAS 28 (2011) *Investments in Associates and Joint Ventures*

We appreciate the opportunity to comment on the European Financial Reporting Advisory Group's (EFRAG) invitations to comment on its draft endorsement advice regarding the International Accounting Standards Board's (IASB) IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (2011) *Separate Financial Statements* and IAS 28 (2011) *Investments in Associates and Joint Ventures*, which were all published by the IASB on 12 May 2011. We have consulted within the KPMG network in respect of this letter, which represents the views of the KPMG network.

We have read and considered the new standards and the amendments to existing standards and EFRAG's invitations to comment, draft endorsement advice and various initial assessments on IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) in which EFRAG considers the requirements of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of International Accounting Standards. Our consideration focused on EFRAG's conclusion regarding the assessment of IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) against the endorsement criteria and, other than in relation to effective dates, we are not addressing any points raised by EFRAG in Appendices 2, 3 and 4 of the various initial assessments.

We provided comments to the IASB on ED 9 *Joint Arrangements* in our comment letter dated 11 January 2008 and on ED 10 *Consolidated Financial Statements* in our comment letter dated 20 March 2009 (the exposure drafts). We have followed the IASB's redeliberations on the exposure drafts and while not all of our suggestions were adopted by the IASB we do not believe that those comments, which were input to the IASB's deliberations, represent fatal flaws that would cause us to recommend non-endorsement.

We support consistent application of International Financial Reporting Standards globally. Accordingly, we believe that jurisdictions adopting IFRSs should make every effort to avoid creating any differences as part of the endorsement/adoption process when compared to the standards as issued by the IASB in accordance with its due process, as overseen by the Trustees and the Monitoring Board.

We note that EFRAG's draft of its endorsement advice letter to the European Commission recommends that the effective date of all these standards should be 1 January 2014, with early application permitted, subject to all being so adopted at the same time, as compared with 1 January 2013 in those standards as issued by the IASB.

Adoption differences can be both temporary and permanent. By permanent difference we mean that there is an effect on the financial statements that would persist from periods for 2014 and onwards depending upon whether these standards are first adopted on 1 January 2013 or on 1 January 2014. Although IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are generally required to be applied retrospectively, permanent differences might arise as there is some degree of relief from retrospective application offered. We believe that EFRAG should re-evaluate whether the risk of creating a permanent difference for IFRSs as adopted by the EU is necessary or worthwhile before issuing its final endorsement advice.

We note that in EFRAG's letter of 9 December 2011 to the IASB, asking the IASB to consider a deferral of all these standards globally, it refers to implementation timetable difficulties that it is aware of, having conducted field-tests of the requirements of IFRS 10 and IFRS 11 in recent months. Implementation issues are unlikely to be isolated to EU entities and we encourage EFRAG to discuss again with the IASB the findings that EFRAG has from its field tests.

Please contact Mary Tokar at +44 (20) 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours faithfully

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