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Mr Wayne Upton
International Accounting Standards Board
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Our ref MV/288
Contact Mark Vaessen
David Littleford

20 November 2015

Dear Mr Upton

Tentative agenda decision: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – How to present intragroup transactions between continuing and discontinued operation

We appreciate the opportunity to comment on the IFRS Interpretations Committee's tentative agenda decision, *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations — How to present intragroup transactions between continuing and discontinued operation* (IFRIC Update September 2015). We have consulted with, and this letter represents the views of, the KPMG network.

Although we agree with the Committee's tentative decision of not taking this issue onto its agenda, we do not agree with the reasons for rejection provided in the tentative agenda decision.

We note that the third paragraph of the tentative agenda decision states no requirements or guidance in IFRS 5 or IAS 1 overrides the consolidation requirements of IFRS 10 and as a consequence an entity should eliminate the intragroup transactions in full. We agree that intragroup items should be eliminated in full, but we believe that these requirements can be considered to be met in the financial statements as a whole, even if subtotals of pre-aggregated amounts of the results of continuing and discontinued operations are disclosed (as further explained below). Therefore, we believe that such separate presentation does not affect the entity's compliance with the consolidation requirements in IFRS 10.

The objective of paragraph 30 of IFRS 5 is to provide the users of the financial statements with the most useful information to evaluate the financial effects of discontinued operations and disposals of non-current assets. We are concerned that the tentative agenda decision is inconsistent with this objective and simultaneously conflicting with the foundation principle of the Conceptual Framework (CF.OB2-10). We believe that, depending on facts and circumstances, full elimination of the intragroup transactions between continuing and discontinued operations may not result in the most useful information for assessing the financial effects of discontinued operations.

We consider that an entity should be permitted to use judgement to determine the appropriate way to present the information based on the facts and circumstances of transactions that actually happened. The full elimination approach, both in the financial statements as a whole and also in the pre-aggregated information (IAS 1.29-31) for each of continuing and discontinued operations is not the only acceptable interpretation of the current standard. In our view if the transactions between the continuing and discontinued operations are expected to continue after the operations are disposed of, then another acceptable approach is to present the results of the discontinued operations in such a way that reflects the continuance of the relationship.

The tentative agenda decision would effectively preclude a preparer from using such a presentation on the face of the statement of comprehensive income. We believe this conflicts with paragraph 85 of IAS 1, whereby an entity shall present additional line items, headings and subtotals when such presentation is relevant to an understanding of the entity's financial performance. Furthermore it is not clear why this information could not be presented alongside the (eliminated) statement of comprehensive income totals on the face of the statement of comprehensive income, in accordance with paragraph 85A and B of IAS 1, as this is the presentation that a preparer might like to use to meet the acknowledged objectives of the standard.

We would be happy to discuss our comments in more detail.

Please contact Mark Vaessen or David Littleford on +44 (0)20 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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Copy: Reinhard Dotzlaw