Financial Reporting Council

IASB
30 Cannon Street
London
EC4M 6XH

Submitted electronically

30 March 2017

Dear Sirs

Exposure Draft ED/2017/1 *Annual Improvements to IFRS® Standards 2015–2017 Cycle*

I am writing on behalf of the UK Financial Reporting Council (FRC) to comment on the Exposure Draft ED/2017/1 *Annual Improvements to IFRS® Standards 2015–2017 Cycle*.

We are in broad agreement with the proposals set out in the Exposure Draft and consider that the issues addressed in the Exposure Draft meet the criteria set out in the IASB *Due Process Handbook* for annual improvements amendments.

Our responses to the questions are included in the Appendix to this letter.

If you would like to discuss these comments, please contact me or Annette Davis (a.davis@frc.org.uk) on 020 7492 2322.

Yours sincerely

Paul George

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Appendix: Questions

Question 1—Proposed amendments (please answer individually for each proposed amendment)
Do you agree with the Board's proposal to amend the Standards in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?

IAS 12 Income Taxes—Income tax consequences of payments on financial instruments classified as equity

A1 The FRC agrees with the proposed amendments to IAS 12 *Income Taxes* as we believe that it will clarify that the requirements in paragraph 52B apply to all income tax consequences of dividends.

IAS 23 Borrowing Costs—Borrowing costs eligible for capitalisation

A2 The FRC agrees with the proposed amendments to IAS 23 *Borrowing Costs* as we consider that it will clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

A3 We also agree with the proposal to apply the amendment prospectively as we concur with the IASB's reasoning that the costs for preparers of retrospective application may exceed the potential benefits.

IAS 28 Investments in Associates and Joint Ventures—Long-term interests in an associate or joint venture

A4 The FRC agrees with the proposed amendments to IAS 28 *Investments in Associates and Joint Ventures* as we consider it will reduce diversity in practice in the application of the requirements of the financial instruments standards (IAS 39/IFRS 9) and IAS 28 to long-term interests. However, we believe that it would be helpful for the IASB to include an illustrative example of the proposed amendment and consider that it could be based on the illustrative example included in Agenda Paper 12A for the IASB's September 2016 meeting.

Question 2—Effective date of the proposed amendments to IAS 28 *Investments in Associates and Joint Ventures*
The Board is proposing an effective date of 1 January 2018 for the proposed amendments to IAS 28. The reasons for that proposal are explained in paragraphs BC7–BC9 of the Basis for Conclusions on the proposed amendments to IAS 28. Do you agree with the effective date for those proposed amendments? If not, why, and what alternative do you propose?

A5 The FRC does not agree with the proposal for an effective date of 1 January 2018 for the proposed amendments to IAS 28. We understand the benefit of aligning it with the effective date of IFRS 9, however, we are concerned that this will leave only a very short time period between the expected date of issuing the amendment and the effective date for jurisdictions with an endorsement process. We believe that an effective date of 1 January 2019, with early application permitted, would allow entities to early apply the amendment if they wish to take advantage of the transition reliefs in IFRS 9 and also allow sufficient time for jurisdictions to undertake their endorsement process.