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5 February 2014

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom
Email: CommentLetters@ifrs.org

Dear Sir/Madam

SAICA SUBMISSION ON ED/2013/11 – *ANNUAL IMPROVEMENTS TO IFRSs 2012 – 2014 CYCLE*

In response to your request for comments on ED/2013/11 – *Annual Improvements to IFRSs 2012 – 2014 Cycle,* attached is the comment letter prepared by the Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of the APC, which comprises of members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Sue Ludolph
Project Director – Financial Reporting

cc: Prof Danie Coetsee (Chairman of the Accounting Practices Committee)

GENERAL COMMENTS

We agree with substantially all of the proposed amendments. However, we question why the proposed amendment to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* is not retrospective and we have some concerns about the IAS 19 – *Employee Benefits* proposed amendment.

SPECIFIC COMMENTS

Proposed amendment to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal*

Question 1 — Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed amendment to IFRS 5.

Question 2 — Transition provisions and effective date
Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed effective date. With regard to the proposal that the amendment be applied prospectively, the International Accounting Standards Board (IASB or Board) has not explained why retrospective application is not required. We believe that the rationale should be provided in the Basis for Conclusions. While we acknowledge that the amendment does not impact periods subsequent to a prior disposal or distribution, we question why retrospective application is not required since an entity would have had all the relevant information required at the time of the change in the method of disposal, hence the risk of using hindsight does not appear to exist.

Proposed amendment to IFRS 7 – *Financial Instruments: Disclosure: Servicing Contracts*

Question 1 — Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed amendment to IFRS 7.

Question 2 — Transition provisions and effective date
Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transition provisions and the effective date.

Proposed amendment to IFRS 7 – *Financial Instruments: Disclosure: Applicability of the amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements*

Question 1 — Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed amendment to IFRS 7.

Question 2 — Transition provisions and effective date
Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transition provisions and the effective date.

Proposed amendment to IAS 19 – *Employee Benefits: Discount rate: regional market issue*

Question 1 — Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

This is not an issue in South Africa because we do not have a deep market in high quality corporate bonds and most employee obligations are denominated in South African Rands. However, this could be an issue in other African countries where the US dollar is commonly used as a currency. While the proposed amendment is described as a 'regional market issue', no reference to this is made in the proposed amendments to paragraph 83. This would mean that a Zimbabwean company with a US dollar denominated employee benefit would need to look to US-denominated high quality corporate bonds. Paragraph 83 does not specify the region in which these US-denominated high quality corporate bonds must be located. This would mean that if there are no such bonds in Zimbabwe, they would most probably end up looking to the US market. It would be useful if the Basis for Conclusions acknowledges that this would be the outcome. While some may question the logic of this outcome, we acknowledge that this is no different to a weaker country in the Eurozone using Euro denominated high quality corporate bonds, which could be located in a different country within the Eurozone.

We do not object to the proposed amendment because IAS 19 does not require the discount rate to reflect the risks inherent in the plan or that of the entity, therefore it does not appear to be a reasonable basis for restricting the use of high quality corporate bonds denominated in the currency for the benefits to the country in which the entity is located. However, we do urge the Board to address the issue of the discount rate more broadly in its project on discount rates. It is important that the objective of the discount rate be determined fundamentally and that it be assessed whether there should be consistency across all standards requiring the discounting of liabilities, regardless of their nature.

Question 2 — Transition provisions and effective date
Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transition provisions and the effective date.

Proposed amendment to IAS 34 – *Interim Financial Reporting: Disclosure of information 'elsewhere in the interim report'*

Question 1 — Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed amendment to IAS 34.

Question 2 — Transition provisions and effective date
Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transition provisions and the effective date.

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