

Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures* (revised 202x) – Final Comment Letter

Executive Summary

Project Type	Influencing
Project Scope	Limited
Purpose of the paper	
<p>The purpose of this paper is to:</p> <ul style="list-style-type: none">• Obtain Board feedback on and approval to issue a Final Comment Letter (FCL) in response to the IASB Exposure Draft ED/2024/7 <i>Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures</i> (revised 202x).• Obtain Board feedback on and approval for the publication of the Feedback Statement (FBS).• Obtain Board feedback on the draft Due Process Compliance Statement (DPCS).	
Summary of the Issue	
<p>The IASB Exposure Draft (ED) was issued on 19 September 2024 with a comment deadline of 20 January 2025. The Exposure Draft proposes amendments to IAS 28 and IAS 27 <i>Separate Financial Statements</i> and new disclosure requirements to IFRS 12 <i>Disclosure of Interests in Other Entities</i>, IAS 27 and IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>. The IASB has also taken this opportunity to reorder IAS 28 to improve understandability and help companies apply it. The IASB expects the proposed amendments will reduce diversity in practice in applying the equity method of accounting, by answering application questions that have been raised over the years.</p> <p>The UKEB approved a Project Initiation Plan (PIP) and a Draft Comment Letter (DCL) at its October 2024 meeting. The 30-day DCL consultation period closed on 20 November 2024. One accounting firm responded to the consultation. The respondent supported the IASB’s objectives, considered that in the UK the proposals will clarify and improve the understandability of IAS 28, and had “no significant comments on the observations noted in the UKEB’s draft comment letter”. The [draft] Final Comment Letter remains unchanged from the DCL.</p>	

Transactions between the investor entity and associate/joint venture

The ED proposes amending IAS 28, IFRS 10 and IFRS 12 such that an investor recognises in full the gains and losses resulting from all 'upstream' and 'downstream' transactions with its associate, to address the conflict between IFRS 10 and IAS 28, and provide additional disclosure on 'downstream' transactions. Regulators in some jurisdictions are concerned this could provide structuring opportunities on these non-arm's length transactions. During the UKEB's consultation, UK stakeholders did not identify this as a significant concern. We note the proposed changes to IFRS 12 to disclose the amount of gains and losses on 'downstream' transactions will help users understand the pricing of such transactions and assess this against market terms.

Decisions for the Board

Subject to addressing any comments raised during this meeting:

1. does the Board approve the FCL (Appendix A) for issue to the IASB and publication on the UKEB website?
2. does the Board approve the FBS (Appendix B) for publication on the UKEB website?
3. does the Board have any comments on the draft DPCS (Appendix C) for the project?

Recommendations

The Secretariat recommends that, subject to any amendments arising at this meeting, the Board:

1. approves the FCL for issue to the IASB and publication on the UKEB website; and
2. approves the FBS for publication on the UKEB website.

Appendices

Appendix A [Draft] Final Comment Letter

Appendix B [Draft] Feedback Statement

Appendix C [Draft] Due Process Compliance Statement

Dr Andreas Barckow
Chair
International Accounting Standards Board
Columbus Building
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Canary Wharf
London
E14 4HD

16 December 2024

Dear Dr Barckow

Invitation to Comment: Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures* (revised 202x)

1. The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS Accounting Standards for use in the UK and therefore is the UK's National Standard Setter for IFRS Accounting Standards. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations. This letter is intended to contribute to the Foundation's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended international accounting standards undertaken by the UKEB.
2. There are currently approximately 1,400 entities with equity listed on the London Stock Exchange that prepare their financial statements in accordance with IFRS.¹ In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 such companies currently take up this option.²
3. The UKEB welcomes the opportunity to provide comment on the International Accounting Standards Board (IASB)'s [Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures* \(revised 202x\)](#) (the ED).
4. In developing this letter, we consulted with stakeholders in the UK. We are not aware of pervasive or material concerns in the UK arising from the proposals. Therefore, the UKEB supports the proposals in the ED.

¹ UKEB calculation based on LSEG and Eikon data, May 2024. This calculation includes companies listed on the Main market as well as on the Alternative Investment Market (AIM).

² UKEB estimate based on FAME, Company Watch and other proprietary data.

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5. If you have any questions about this response, please contact the UKEB project team at UKEndorsementBoard@endorsement-board.uk.

Yours sincerely

Pauline Wallace
Chair
UK Endorsement Board

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Feedback Statement

Exposure Draft Equity Method of Accounting—IAS 28 *Investments in Associates and Joint Ventures* (revised 202x)

Final Comment Letter (FCL)

12 December 2024

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

The comment letter to which this feedback statement relates forms part of those influencing activities and is intended to contribute to the IFRS Foundation's due process.

The views expressed by the UKEB in its comment letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended international accounting standards undertaken by the UKEB.

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Purpose of this Feedback Statement

This feedback statement presents the views of UK stakeholders on the [UKEB's Draft Comment Letter](#) on the IASB's Exposure Draft (ED) [ED/2024/7 Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#) and explains how the UKEB's Final Comment Letter addressed those views.



The IASB's Exposure Draft

The IASB Exposure Draft (ED) contains proposed amendments to IAS 28 *Investments in Associates and Joint Ventures* and IAS 27 *Separate Financial Statements*. It also proposes changes to disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

The ED:

- Restructures the text of IAS 28 to improve the understandability of the requirements.
- Introduces new requirements and illustrative examples to explain the principles underlying IAS 28 and to apply those principles to application questions previously received by the IASB.

The IASB emphasised that no fundamental overhaul of the equity method had been undertaken as part of this project.

Outreach approach

- The UKEB's outreach activities took place between September 2024 and November 2024 and were conducted to develop the UKEB Comment Letter on the ED.
- Outreach activities included:
 - Seeking feedback from the UKEB Accounting Firms and Institutes Advisory Group members.
 - Seeking feedback from regulators.
 - Discussions with other National Standard Setters.
 - Tabling the Draft Comment Letter (DCL) for noting at various UKEB Advisory and Working Groups including the Investor Advisory Group, the Preparer Advisory Group, the Accounting Firms and Institutes Advisory Group and the Financial Instruments Working Group.
- Public consultation on the UKEB's DCL was conducted for 30 days between 21 October 2024 and 20 November 2024.
- The UKEB promoted awareness of the DCL and encouraged stakeholders to respond through the UKEB website, the UKEB subscriber News alerts, and the use of UKEB LinkedIn posts.
- All comments and views were considered in reaching the UKEB's final assessment of the proposed amendments.

- The UKEB DCL supported the proposals in the IASB's ED.
- One written response to the DCL was received from an accounting firm. This response thought that in the UK the proposals will “clarify and improve the understandability of IAS 28” and had “no significant comments on the observations noted in the UKEB’s draft comment letter”.
- The Final Comment Letter (FCL) issued by the UKEB is consistent with the views expressed in the DCL.

Disclaimer

This Feedback Statement has been produced to set out the UKEB's response to stakeholder comments received on the [UKEB's Draft Comment Letter](#) on the IASB's Exposure Draft [ED/2024/7 Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#).

The views expressed in this Feedback Statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this Feedback Statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.



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Contact Us

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Appendix C: DRAFT Due Process Compliance Statement: Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures* (revised 202x)

The International Accounting Standards Board (IASB) published Exposure Draft (ED) [IASB ED/2024/7 *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures* \(revised 202x\)](#) on 19 September 2024. The IASB consultation period ends on 20 January 2025.

Influencing process

Project preparation

Step	Mandatory / optional ¹	Metrics or evidence	UKEB Secretariat comments
Added to UKEB technical work plan [Due Process Handbook (Handbook) 4.30]	Mandatory	Project included in the UKEB published technical work plan	Complete: The Amendments were included in the UKEB technical work plan for monitoring in May 2022 and to the UKEB influencing work plan in September 2024 .

¹ In accordance with the [UKEB Due Process Handbook](#) (published December 2022).

Step	Mandatory / optional ¹	Metrics or evidence	UKEB Secretariat comments
Project Initiation Plan (PIP) [Handbook 5.4 to 5.8, A1 to A2 and A12 to A14]	Mandatory	PIP draft with project outline (background, scope, project objective) and approach for influencing (key milestones and timing)	Complete: The Secretariat included mandatory milestones for the project and considered, as appropriate, other milestones and activities. The PIP was approved at the 17 October 2024 Board meeting and published on the UKEB project webpage .
	Mandatory	Outreach plan for stakeholders and communication approach outlined	Complete: The PIP included the outreach plan and approach.
	Mandatory	Resources allocated	Complete: One Project Director (0.75 FTE) was allocated to the project, as referred to in the PIP .
	Mandatory	Assessment of whether to set up an ad-hoc advisory group	Complete: Taking a proportionate approach, an ad-hoc advisory group was not considered necessary, referred to in the PIP .
	Mandatory	Assessment of whether PIP required updating	Complete: We monitored this throughout the project, the nature and scope of which remained as proposed in the original PIP .
	Mandatory	UKEB Board public meeting held to approve PIP	Complete: The PIP was approved at the 17 October 2024 Board meeting and published on the UKEB project webpage .

Step	Mandatory / optional ¹	Metrics or evidence	UKEB Secretariat comments
Education sessions [Handbook 4.10]	Optional	Board provided with education sessions	Complete: The Board was provided with a link to the IASB Snapshot and series of IASB webcasts explaining the proposals, in lieu of an education session, in the Executive Summary for the 17 October 2024 Board meeting .

Desk-based research

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
Desk-based research [Handbook 5.9 and A3]	Optional	Review of relevant documentation	<p>Complete: the Secretariat has reviewed:</p> <ul style="list-style-type: none"> • The IASB’s work on the project, including the staff papers, the ED and Basis for Conclusions. • Other supporting material published by the IASB on their project webpage, including a webcast series, snapshot of the proposals, and supplementary document ‘Mark-up version of [draft] IAS 28’. • Other standard-setters’ views. • Accounting manuals and press releases for guidance and illustrative examples. <p>The Secretariat also observed relevant IASB advisory group meetings.</p>

Outreach

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
Outreach activities [Handbook 5.10 to 5.12 and A4 to A8]	Mandatory	Evidence of consultation	Complete: Outreach activities focused on: <ul style="list-style-type: none"> • Providing the draft comment letter to UKEB Advisory Groups and Working Groups² for noting. • Obtaining responses to the Draft Comment Letter (DCL). The UKEB received one comment letter, as published on the UKEB project webpage.

Draft Comment Letter (DCL)

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
DCL published for comment (mandatory unless impracticable) [Handbook paragraphs 5.13 to 5.17 and A4(d)]	Mandatory	Comment period set for responses to DCL	Complete: The DCL was published for 30 day consultation on 21 October 2024 (comment period deadline: 20 November 2024) as noted in the News Alert published on the UKEB website .
	Mandatory	Review and approval at a UKEB public meeting	Complete: The draft DCL was reviewed and approved at the 17 October 2024 Board meeting, subject to minor revisions requested at the meeting. The updated DCL was published on 21 October 2024.

² The UKEB Advisory Groups and UKEB working groups consulted were the Accounting Firms & Institutes Advisory Group (AFIAG) on 7 November 2024, the Investor Advisory Group (IAG) on 4 November 2024, the Preparer Advisory Group (PAG) on 28 October 2024, and the Financial Instruments Working Group (FIWG) on 12 November 2024.

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
	Mandatory	DCL published on website for public consultation	Complete: The DCL was published on the UKEB website for public consultation on 21 October 2024 (comment period deadline: 20 November 2024).

Project finalisation and project closure

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
Final Comment Letter (FCL) [Handbook paragraph 5.18 and A4(d)]	Mandatory	Public responses to DCL considered and published on website	Complete: The UKEB received one comment letter, which was published on the UKEB website . The response was assessed and reflected, as appropriate, in the FCL and in the Feedback Statement.
	Mandatory	FCL approved by the UKEB in public meeting	Pending: A draft of the FCL will be presented to the Board for approval at its 12 December 2024 public meeting.
	Mandatory	FCL submitted to the IASB and posted on UKEB website	Pending: Following Board approval, the FCL will be submitted to the IASB and posted on the UKEB website.
Feedback Statement [Handbook 5.19 to 5.22 and A9 to A11]	Mandatory	Feedback Statement approved for publication by the UKEB in a public meeting	Pending: A draft of the Feedback Statement will be presented to the Board for approval at its 12 December 2024 public meeting.

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
	Mandatory	Feedback Statement published on the UKEB website	Pending: Following Board approval, the final version of the Feedback Statement will be published on the UKEB website .
Due Process Compliance Statement (DPCS) [Handbook 5.23 to 5.26 and A12 to A14]	Mandatory	DPCS approved by the UKEB in public meeting	Pending: A draft DPCS will be presented to the Board for approval at its 12 December 2024 public meeting. A final DPCS will be presented, for noting, at the Board's 30 January 2025 meeting.
	Mandatory	DPCS published on the UKEB website	Pending: Following Board approval, the final version of the DPCS will be published on the UKEB website, after the 30 January 2025 Board meeting.

Ongoing communications

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
Public Board meetings [Handbook 4.10]	Mandatory	UKEB public meetings held to discuss technical project	<p>Complete: The Board received regular updates on this project in IASB General Update papers between June 2022 and July 2024³.</p> <p>The Board approved the PIP and the DCL at its 17 October 2024 meeting.</p> <p>Pending: the FCL and FBS will be reviewed by the UKEB at the 12 December 2024 Board meeting.</p>

³ Links to the IASB General update papers for this project can be found on the [UKEB project webpage](#).

Step	Mandatory / optional	Metrics or evidence	UKEB Secretariat comments
Secretariat papers [Handbook 4.20]	Mandatory	Board meeting papers posted and publicly available usually no later than 5 working days before a Board meeting.	Complete: The UKEB's meeting papers were published on the UKEB website 5 working days before the public meetings. Meeting minutes and recordings were made publicly available via the UKEB website.
Project webpage [Handbook 4.25(b)]	Mandatory	Project webpage contains a project description with up-to-date information on the project.	Complete: The UKEB project webpage has been updated regularly on a timely basis.
Subscriber Alerts [Handbook 4.24]	Optional	Evidence that subscriber alerts have occurred	Complete: Subscribers were alerted via email 5 days before each Board meeting, with links to the agenda, papers, and the option to dial in to observe the discussion. This project was included in four Subscriber Alerts during October and November 2024.
News Alerts [Handbook 4.24]	Optional	News Alert to announce publication of key documents	Complete: A News Alert and a LinkedIn post were published on 21 October 2024 to announce the publication of the DCL and to invite comments. A further LinkedIn post was published on 18 November 2024. Pending: A News Alert will be published alerting stakeholders to the FCL.

Conclusion

This project complies with the applicable due process steps, as set out in the UKEB Due Process Handbook (published December 2022).

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