International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

By email: commentletters@ifrs.org

16 January 2015

Dear Sirs,

**Re: BVCA response to the IASB Exposure Draft ED/2014/4 Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value**

The British Private Equity and Venture Capital Association ("BVCA") is the industry body and public policy advocate for the private equity and venture capital industry in the UK. With a membership of over 500 firms, the BVCA represents the vast majority of all UK based private equity and venture capital firms, as well as their professional advisers.

Our members have invested £30 billion in over 3,900 UK-based companies over the last five years. Companies backed by private equity and venture capital in the UK employ around 790,000 people and almost 90% of UK investments in 2013 were directed at small and medium-sized businesses. As major investors in private companies, and some public companies, our members have an interest in reporting matters, the conduct and information presented by such companies, and the burdens placed on the management of such companies.

This submission has been prepared by the BVCA's Legal & Technical Committee, which represents the interests of BVCA members in legal, accounting and technical matters relevant to the private equity and venture capital industry.

We support the issuance of amendments to clarify the unit of account for investments in subsidiaries, joint ventures and associates because we believe that the relevant standards are not clear in this respect.

*Question 1 - The unit of account for investments in subsidiaries, joint ventures and associates*

- The BVCA agrees that the unit of account for investments within the scope of IFRS 10, IAS 27 and IAS 28 should be the investment as a whole.

*Question 2 - Interaction between Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates*

- The BVCA recognises the difficulty in striking an appropriate balance between relevant and reliable information for accounting purposes.

- However we disagree with the principle that the fair value measurement of quoted investments should be P*Q without adjustment.
- A number of private equity and venture capital exits are structured through the listing of an initial portion of equity followed by the sale of the remaining equity at a later date. Where a proportion of equity has been retained by the private equity/venture capital fund a P*Q measurement basis may not be a reliable estimate of fair value.
- This is because the depth of the liquidity of the listed stock may not be sufficient to allow the retained equity to be sold at the quoted price. We therefore believe that a specific downwards adjustment for blockage factors should be allowed.

*Question 3 - Measuring the fair value of a CGU that corresponds to a quoted entity*

- We have no comment on the proposals.

*Question 4 - Portfolios*

- We have no comments on the proposals.

*Question 5 - Transition provisions*

- We agree with the transition provisions proposed.

Please feel free to contact Gurpreet Manku at the BVCA if you have any queries on this response.

Yours faithfully

Simon Witney
Chairman – BVCA Legal and Technical Committee