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Berlin, 10 October 2005

Dear Sir David,

Comments on the proposed 'Draft Technical Correction 1: Proposed Amendments to IAS 21'

We appreciate the opportunity to comment on the proposed 'Draft Technical Correction 1: Proposed Amendments to IAS 21 *The effects of Changes in foreign Exchange Rates: Net Investment in a foreign operation*'.

General Remarks:

We support the change in IAS 21, as we think that the currency in which an item for which settlement is neither planned nor likely to occur in the foreseeable future is denominated does not affect its character of being in substance part of the net investment.

Question 1: Do you agree with the proposals in this Technical Correction? If not, why not? What changes do you propose and why?

We are supportive of the amendment and agree with the proposals. However, to maintain consistency with other standards, we suggest that the Board considers amending the definitions in IAS 21 as well. As far as we understand the draft, neither the definitions in IAS 21 are to be amended nor a cross-reference to IAS 27 and IAS 28 will be added to the text.

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We therefore propose to

- either include the terms “subsidiary” and “associate” in the definitions of IAS 21.8; or
- to redraft par 15 to: “A reporting entity or any of its subsidiaries **(as defined in IAS 27: Consolidated and Separate Financial Statements)** may have a monetary item ...” and par. 15b to: “An associate **(as defined in IAS 28: Investments in Associates)** may be a foreign operation ...”

Question 2: Do you have any other comments on the proposals?

Although we are supportive of the amendment of IAS 21 in itself, we are not sure whether this amendment is appropriately addressed as a technical correction. However, since we believe that IAS 21 should be amended at short notice, we do not think that this concern should delay the proposed amendment.

If you would like any clarification of these comments, please contact me.

Yours sincerely,

Prof. Dr. Klaus Pohle
President