

Project Manager
Improvements to IFRSs
International Accounting Standards Board
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Comment letter on Exposure Draft (ED) Improvements to IFRSs

We very much welcome the opportunity to comment on the ED Improvements to IFRSs.

In general, we agree with the minor amendments relating to clarifications and inconsistencies within or between standards and areas where they are unclear except in the case where the IASB is proposing a change to the definition of a derivative as articulated in question 30 as follows:

The Board proposes to amend the definition of a derivative. The definition in IAS 39 excludes contracts linked to non-financial variables that are specific to a party to the contract. The proposed amendment would remove that exclusion. As a result, contracts linked to non-financial variables specific to a party to a contract within the scope of IAS 39 would be classified as derivatives.

Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

We disagree with the proposal since we are concerned that this amendment could have implications that might not have been fully considered when developing the proposal (for example, a lease contract in which the amount payable by the lessee is linked to the lessee's net income would be recognized as a derivative at fair value through profit or loss under the ED). We believe that the proposal should therefore be removed from this project and dealt with on a stand-alone basis. The reasoning for this is based on the premise that since the change in the definition of a derivative has been discussed in a relatively narrow context and placed amongst 40 other amendments, it is inevitable that it will not receive the same attention during the consultation phase that it would get if it were dealt with as a stand-alone amendment. Consequently, we believe that it is necessary to discuss this issue more broadly and in a wider context because it is not a 'minor' amendment.

We thank you for the opportunity to submit our contribution to your due process.

If you would like further clarification of the points raised in this letter, either of the undersigned would be happy to discuss these further with you.

Keith Cameron

Head Standards and Accounting Principles

Raymond Meile

Group IFRS Expert