Improvements to International Financial Reporting Standards
International Accounting Standards Board
30 Cannon Street
London
ECAM 6XH

11 January 2008

Dear Sir/Madam

Re: Exposure Draft of Proposed Improvements to International Financial Reporting Standards

We have reviewed the above Exposure Draft issued in October 2007 and, whilst we do not intend answering each of the questions, we have set out some specific comments in the attached appendix on certain of the questions where we have issues.

We support the Board's approach to dealing with minor, non-urgent but necessary amendments by issuing a single annual exposure draft. This should reduce the need for a series of sporadic amendments throughout the year and create a more efficient process. However, it is important to note that we only support such a process as long as the amendments made to IFRS as a result are non-urgent and minor. To the extent that the changes being proposed may be considered to be more significant we believe separate exposure of those issues is required. There are certain examples contained within this Exposure Draft which could result in material changes to companies accounts and these need to be given the profile of being separately exposed rather than lost in a "package" of minor improvements.

Our specific comments are included in more detail in our attached answers, however, the summary observations we have are as follows:

- A clear distinction needs to be drawn as to what constitutes a 'minor' amendment to IFRS. Some of the changes proposed could be seen to be significant and result in material changes to current practice.

  We consider the proposed amendment to IAS 1 on disclosures required if there is not an unreserved statement of compliance to IFRS (where we also do not agree with the proposal itself) should be separately exposed if the IASB wishes to pursue this requirement.

  We also feel that it may be more appropriate for the proposed amendments to IAS 38 on clarification of what is meant by 'as incurred' and to IAS 39 on the changed definition of a derivative, to be separately exposed.

- The proposed amendment to IAS 19 is unclear to the extent that it introduces the word ‘significant’ in place of ‘material’.
- The proposed amendments to IAS 28 and IAS 31 which require certain entities accounting for investments in associates and joint ventures in accordance with IAS 39 to provide certain disclosures from IAS 28 and IAS 31 is unclear as to why some disclosures are required and some are not.

We hope that you find our comments useful and thank you for the opportunity to be able to comment on this matter.

Yours sincerely

D C POTTER
Head of Finance and Accounting

APPENDIX

Exposure Draft of Proposed Improvements to International Financial Reporting Standards

As indicated in our covering letter, we have not answered each individual question set in the Exposure Draft, but have some specific comments as set out below:

Question 4 **Proposed amendments to IAS 1**

One of the amendments proposed is that if an entity refers to IFRS when describing the basis on which its financial statements are prepared, but is not able to make an explicit and unreserved statement of compliance with IFRSs, further specific disclosures will be required.

This proposal is not a 'minor' amendment. Whilst it might help US listed entities through progress on the elimination of the US GAAP reconciliation, these companies are a minority of those required to comply with IFRS in Europe. The requirement would lead to a number of complications for entities in Europe. Public companies in the UK and the rest of the EU are required to comply with IFRS as adopted by the EU. To the extent that new IFRSs have been issued but not yet adopted and this 'gap' spans a year end reporting exercise, then companies would be required to disclose, in greater detail than currently required by IAS 8, the impact of the new standard and state that they were non compliant with IFRS. This seems both unnecessary and potentially confusing. Moreover, if the lack of endorsement is not just a matter of timing, but a disagreement between the EU and the IASB, it is difficult to see why the relevant EU organizations and entities would comply with this specific requirement. The IASB should focus on avoiding such situations rather than trying to introduce requirements such as this.

Therefore we believe this item should not be included within this document but, if the IASB wishes to pursue this requirement, it should be separately exposed.

Question 14(b) **Proposed amendments to IAS 19**

One of the amendments proposed is to remove the sentence on materiality in the last part of paragraph 111, relating to whether an item qualifies as a curtailment. This is understandable on the basis that materiality is dealt with in IAS 1. However, replacing the word 'material' with 'significant' in sub paragraphs (a) and (b) is less so, as this may create confusion over whether 'significant' is a different form of materiality - is this wording change meant to achieve anything?

Questions 22 and 25 **Proposed amendments to IAS 28 and IAS 31**

The proposed amendments to both standards above state that investments in associates and joint ventures held by certain entities that are accounted for at fair value in accordance with IAS 39, should apply certain specific disclosures of IAS 28 and IAS 31.

It is unclear from the exposure draft why some disclosures in IAS28 and IAS31 are deemed relevant in this context and why some are not.

Questions 28(a) and 28(b): **Proposed amendments to IAS 38**

IAS 38 requires expenditure on advertising or promotional activities, training activities and start-up activities, and on relocating or reorganizing part or all of an entity to be recognised as an expense as incurred.

The IASB believes that divergent practice has emerged regarding when such expenses are ‘incurred’. The proposed amendment sets out to clarify the meaning of ‘as incurred’ in such situations and explains that prepayments may be recognised for such expenditure until the entity has received the goods or services as applicable.

Whilst we can see the logic of the change, given the IASB comments on divergent practice we are concerned whether this amendment should be dealt with as a separate amendment. It may potentially not be a ‘minor’ amendment for certain companies but they are less likely to pick this up at this stage if it is “packaged” as part of a number of minor changes.

Question 30: **Proposed amendments to IAS 39**

One of the proposed amendments to the above standard is to change the definition of a derivative in IAS 39 to include contracts linked to non-financial variables that are specific to a party to the contract. Previously such items were scoped out in order to exclude contracts within the scope of IFRS 4 ‘Insurance Contracts’.

This appears logical given that paragraph 2(e) of IAS 39 already scopes out contracts within the scope of IFRS 4. However, as in the last paragraph above on questions 28(a) and 28(b), we are concerned that inclusion of changes such as this in the “packaged” improvement process, might not give sufficient profile to them so that entities identify at this stage whether there are consequences for other types of contracts.

DCP/CRG/REP/IMPROVEMENTS IFRS
10 January 2008