International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Basel, 10 January 2008

Exposure Draft on Amendments under Annual Improvements Projects

Dear Sirs

The Roche Group has a turnover of CHF 40 bn. a year (USD 34 bn.) derived from its pharmaceuticals and diagnostics businesses and around 70,000 employees worldwide. We have been preparing our consolidated financial statements according to IFRS/IAS since 1990 and therefore have a substantial interest in how these will develop, so we welcome this opportunity to give feedback on this ED.

General comments

We find the idea of an annual streamlined review for minor amendments a very practical and pragmatic one and feel comfortable with most of the proposals. Our main concerns are with certain individual items which seem potentially significant in their impacts on the reporting of many companies and so warrant a more thorough discussion and due process. We trust that the Board will be especially open to reconsider proposals where many other constituents may have such concerns so that the new fast-track process does not get a back-door reputation.

The specific proposals where we think reconsideration is needed are explained below.

Specific points

4. Statement of compliance (IAS 1)

The proposed amendment appears strange to us, as saying, “Here’s the principle to follow, but if you don’t want to follow it here’s the way around it.” Should this compliance question not in any case be left to individual regulators? We believe that the amendment needs rather more thorough debate and consideration.

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5. Current vs. non-current liabilities (IAS 1)

We believe that the proposal should be broadened to include not only cases where liabilities are to be settled with equity but also those where they are to be settled other than with cash or a similar financial asset, e.g. settlement by supply of a service.

10. Assets held for rental and sale (IAS 16)

Here too the application seems rather restrictive. Why the restriction to just one form of dual-use asset? In our view it would be preferable to define a more general principle. On the other hand the implicit definition of revenue may be broader than intended. Most companies would understand – and probably support – the approach taken in IAS 16.68 that disposals of PP&E do not give rise to revenue. This is presumably also the case where a separate department exists in the operations to optimize the cash inflow to the company from the disposal and where sales of scrapped or obsolete plant are part of everyday business. Between this situation and the case of car rental firms there appears to be a substantial grey area where a more principled approach could avoid new difficulties of application arising. The proposal in its present form could potentially mean widespread changes in accounting practice, especially if applied by analogy, and needs more thorough consideration.

16. Replacement of term "fall due" (IAS 19)

Would the proposal not introduce inconsistencies? Surely becoming entitled to something is not the same as receiving a payment within the next 12 months.

23. Impairment of associate (IAS 28)

We rather agree with the dissenting view expressed by Mr Yamada. Any goodwill will generally be identifiable, and the basic proposal seems to be inconsistent with IAS 36.124 and .125. It could in any case be improved by adding clarity on the circumstances under which a reversal can be recorded.

27. Disclosure of estimates used to determine recoverable value (IAS 36)

While we understand the desire to give optimal clarity to the basis for impairment calculations, we think that the proposal takes insufficient account of the basic differences between value in use and fair value less costs to sell. We think that, if the Board believes that more disclosure is necessary on the assumptions for the latter, the amendment should be made to better reflect those differences. At present the proposed requirements are rather too generic.

28. Advertising and promotion (IAS 38)

Again, since the proposal in its present form could potentially mean widespread changes in accounting practice, we believe that a more thorough due process is necessary.

30. Definition of derivative (IAS 39)

Here, we have a concern with the proposed elimination of the exclusion that it could have unforeseen consequences. Since IAS 39 already excludes insurance contracts elsewhere, it may be better to leave the exclusion unchanged and avoid potentially wider-reaching and undesired effects.

35. Investment properties – property under construction (IAS 40)

The proposed amendment could potentially have significant effects on many companies and should therefore be subject to a more thorough due process.

Yours sincerely,

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