

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

November 7, 2008/Mei  
raymond.meile@holcim.com

### **Exposure Draft of Proposed Improvements to IFRSs**

Dear Sirs

We very much welcome the opportunity to comment on the above-captioned exposure draft.

In general we support the proposals in the Exposure Draft as practical, useful and reasonable except for three items detailed below.

#### ***Cash-generating units and goodwill***

In order to make the amendment in IAS 36 paragraph 80(b) crystal clear, we strongly suggest that paragraphs BC2 and BC3 in the Basis for Conclusions are included in the main body of the standard as paragraph 80A in order to avoid any misinterpretation of the amendment which we in principle agree with.

#### ***Bifurcation of an embedded foreign currency derivative under IAS 39***

The proposed amendment clarifies that contracts denominated in foreign currencies that have one or more characteristics of a functional currency are likely to be integral to the contractual arrangement and therefore closely related to the host contract and prohibited from being accounted for separately.

We believe that the revised language proposed is more restrictive than that of the current standard ("...commonly used in contracts...in the economic environment in which the transaction takes place") and therefore does not reflect the underlying economics since this most likely will result in embedded derivatives being separated from the host contract even in cases where they have been entered into for reasons that are clearly *not based* on achieving a desired accounting result or for speculative purposes. We therefore recommend that the current wording remains unchanged.

#### ***Scope exemption of business combination contracts under IAS 39***

The Board proposes to clarify that the scope exemption in paragraph 2(g) applies only to binding (forward) contracts entered into before the acquisition date between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date and at a specified price (or on a specified price basis).

We agree that this area needs clarification; however, we disagree with the proposal as it will restrict the circumstances under which an acquirer and vendor in a business combination are able to apply the scope exemption under IAS 39. Instead, we recommend that the Board clarifies that the word “contracts” as is currently used in the standard applies to *both* forward contracts and option contracts, irrespective as to whether they are currently exercisable or not.

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