

15th January 2008

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir,

The French Society of Financial Analysts, SFAF (Société Française des Analystes Financiers), is pleased to submit its contribution as part of the consultation undertaken by the International Accounting Standards Board (IASB) on its ED9 - Exposure Draft on Joint Arrangements.

SFAF represents more than 1,600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS) which comprises 24 member organisations representing more than 14,000 investment professionals. Its Accounting and Financial Analysis Commission intends to represent analysts and fund managers in the debate on accounting standards. Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of new or revised accountings standards.

For this reason, our Society, through its Accounting and Financial Analysis Commission, is keen to respond to your consultation on Joint Arrangements.

General comments:

We understand that ED 9 Joint Arrangements proposes a replacement to the existing standard IAS 31 Interests in Joint Ventures, and represents a proposal to improve the accounting for joint arrangements. We understand also that this “review also forms part of the IASB’s short-term project with the US Financial Accounting Standards Board (FASB) to reduce differences between International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (US GAAP)”.

The proposals are designed to provide users with more information about the operations an entity conducts through joint arrangements—including a description of the nature of joint arrangements and summarised financial information relating to its interests in joint ventures.

First of all, we would like to stress that as joint arrangements are often a key element of operating business for listed companies, financial analysts are very sensitive to the way it is reported in their financial statements.

Specific comments:

In this respect, we would like to make the following comments:

- Firstly, this project is very much related to the concept of control. As long as this point is not reviewed, and in particular as long as there is no convergence, with the US GAAP, we question that any decision on proportionate consolidation can be made.
- In the course of their activities, financial analysts aim at assessing the economic activities of quoted companies and their impact on financial performance. Joint arrangements being a key part of companies business, we consider that their economic performance should be integrated within the financial statements, i.e. at the income statements, balance sheets and statements of cash flow levels.

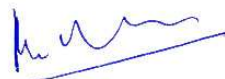
- However, we consider that joint arrangements that would be recognized by solely using the equity method would not allow financial analysts to properly assess the global economic performance of the companies. A lot of companies are indeed key shareholders in joint ventures that form a key component of their operating business. Therefore, we consider that the economic performance of such joint ventures should be recognized at the operating level. It means that the company revenues and operating profit should incorporate the impact of joint ventures, and more specifically, the share owned by the company in the joint venture revenues and operating profits. We would also expect the balance sheet to incorporate the same share of their assets and liabilities. In other words, financial analysts favour proportionate consolidation, as it allows them to better assess the economic performance of the company business.
- Such proportionate consolidation would also present the interest of providing the cash flow available to shareholders, without the interference of minority shareholders, such information being for a long time awaited by financial analysts.
- We recognize that in the past, proportionate consolidation may have been used whereas the reporting entity had a limited share in the JVs or a role that could not be qualified as a partner. Therefore, we consider that proportionate consolidation should be used when the shareholders do have a true, balanced and common interest in the joint ventures and if there is a fair presumption that they have a common control of their cash flows. Such conditions would in our opinion assure that the reporting entity accounts represent a fair view of the company business and performance. It means that the condition for a proportionate consolidation should be properly defined with clear and strong guidelines to prevent any abuse.
- In addition to these comments, we wish also to outline that the disclosure about joint arrangements, as envisioned by ED9, is too limited, as it doesn't provide any details about assets and liabilities (such as financial liabilities). In particular, financial analysts are very sensitive to related party transactions between the reporting entity and the joint arrangements / joint ventures and are therefore looking for more details about assets (loans, current assets...), liabilities and operating performance items that are tied to joint arrangements. Moreover, there is no insurance that the joint arrangements performance, when the equity method is used, is reported with the same level of information as in the main company financial statements. Such points are critical for users of financial statements, in particular at statements of income and balance sheets level. We consider also that a consistent disclosure about JVs to be recognized by using the proportionate consolidation is necessary as it will provide key information about the reporting entity business model.
- Finally, we would expect that disclosures about joint arrangements indicate which operating segments of the reporting entity each joint arrangement relates to, such information being also very important to financial analysts, in order for them to properly assess the company business model.

We thank you for the opportunity given to us to provide our view on such important aspects and remain available for any further information.

Yours faithfully,



Jacques de Greling
Co-Chairman of Accounting
and Financial Analysis Commission



Bertrand Allard
Co-Chairman of Accounting
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