SwissHoldings

Verband der Industrie- und Dienstleistungskonzerne in der Schweiz
Fédération des groupes industriels et de services en Suisse
Federation of Industrial and Service Groups in Switzerland

25 February 2008

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

Exposure Draft of Proposed Amendments to IFRS 1 and IAS 27

Dear Sirs

SwissHoldings, the Federation of Industrial and Services Groups in Switzerland, represents 46 Swiss groups, including most of the country's major industrial and commercial firms. We very much welcome the opportunity to comment on the above draft, and our response below has been prepared in conjunction with our member companies.

A. General Remarks

Although most of our member companies have already been applying IFRS for several years, we appreciate very much the IASB's efforts to make pragmatic simplifications for first-time application. We find the revised ED's acceptance of previous GAAP carrying amounts for investments in subsidiaries, jointly controlled entities and associated companies as an alternative deemed cost a laudable improvement on the previous proposals and generally support the proposals wholeheartedly. We find it unfortunate, however, that the Board has now introduced into the proposals a requirement for all investments which distribute a dividend to be subjected to an impairment test and expand on this objection below.

B. Specific Questions

Question 1: *Do you agree with the two deemed cost options as they are described in this ED? If not, why?*

We agree.

Question 2: *Do you agree to allow the deemed cost option for investments in jointly controlled entities and associates? If not, why?*

We agree.

Question 3: *Do you agree with the proposal to delete the definition of the cost method from IAS 27? If not, why?*

We agree. But see also Q4 below.

Question 4: *Do you agree with the proposed requirement for an investor to recognise as income dividends received from a subsidiary, jointly controlled entity or associate and the consequential requirement to test the related investment for impairment? If not, why?*

We do not believe that it is necessary to carry out an impairment test in the case of every subsidiary etc. distributing a dividend. Even if in many cases the test may be straightforward, it

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would be quite excessive to demand a test for every single subsidiary etc. which makes a distribution. Indeed, we are quite surprised that the Board has chosen an ED focussed on first-time application to "slip in" this suggestion which has considerable implications for all preparers with group structures which use IFRS for their single-entity statements. We believe it would be adequate to require impairment testing in cases where there is a "trigger" (cf. IAS 36) – or alternatively to leave the current approach on pre-acquisition profits which we do not see as creating any substantial problems.

Question 5: *Do you agree with the proposed requirement that, in applying para. 37(a) of IAS 27, a new parent should measure cost using the carrying amounts of the existing entity? If not, why?*

We agree.

Question 6: *Do you agree that the prospective application of the proposed amendments to IFRS 1 and IAS 27 is appropriate? If not, why not?*

We agree.

Yours sincerely,

SwissHoldings
Federation of Industrial and Service Groups in Switzerland

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cc SH Board