

22.7/8/1

29 July 2005

Sir David Tweedie
Chairman IASB
30 Cannon Street

London EC4M 6XH

THE SECRETARY GENERAL

Dear Sir David,

RE: AMENDMENTS TO IFRS 3 AND IAS 37

Long before the comment period on the above referenced exposure drafts has expired, UNICE wish to provide the following initial comments to the IASB.

Since early 2004, much progress and many improvements have been brought to the IASB due process and communication with constituents. We have had several opportunities to express satisfaction on this issue.

We however believe that the Business Combinations phase 2 project severely disrupts this course of improvement, raising again the deepest concerns that we have had in the past with the IASB implementing via standard setting fundamental changes to the underlying accounting concepts without the least prior exposure and discussion, and what is even worse, without other justification than mere assertions that the change is for the better.

IFRS 3 proposed amendments include changing the measurement attribute of a business combination from cost of acquisition to fair value, although the conceptual debate on the issue of measurement is yet to take place. IAS 37 proposed amendments that include getting rid of the probability criterion set up in the existing IFRS conceptual framework and hence issuing a standard in breach with the existing framework. They also include significant moves towards fair valuing non financial liabilities.

In the past we have requested that no new IFRS or amendment to existing IFRS be in breach with the existing framework.

We welcomed the decision of the IASB to take an active project on the revision of the conceptual framework. We supported the IASB decision of running the framework project in parallel with other projects in order not to stop any improvement being made to the existing reporting requirements. However our understanding of running a project in parallel was that conceptual issues would still be discussed before any implementation of changes via standard setting.

We therefore believe that the current exposure draft of amendments to IFRS 3 ought to be frozen, pending the issue and discussion of the measurement issue. Particularly because it is our understanding that the discussion paper prepared by the Canadian Board is expected to be issued in September, so that the delay in which these proposed amendments would come to the table is not unreasonable.

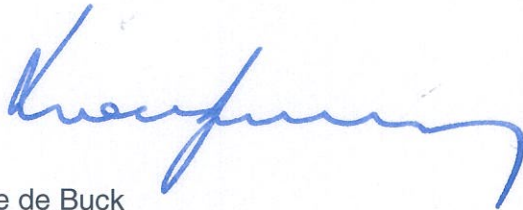
Amendments to IAS 37 are another story. When the IASB completed the existing IFRS 3 (which already included a breach of the existing framework, the scope of which however was limited), the Board indicated in its Basis for Conclusions (IFRS 3, BC112) that the issue of the probability recognition criterion would be dealt with as part of the Concepts project. Because the work on the probability recognition criterion has not yet started, we recommend the exposure draft to be withdrawn. The work realised by both the Board and staff may prove to be useful in the future.

Furthermore we would like to reaffirm our support to the convergence effort. However convergence should be reached in the proper way with conceptual issues being raised first and standards being set after agreement on the concepts has been reached. The issue of recognition criteria is one of the cross-cutting issues that the two Boards have identified as part of their joint project on the conceptual framework. It therefore needs to be addressed. Moreover IAS 37 proposed amendments include requirements which move IAS 37 further away from the FAS requirements in some measurement aspects.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely,

Best regards,



Philippe de Buck