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

28 April 2017

Re: IASB ED Annual Improvements to IFRSs 2015-2017 Cycle

Dear Sir/Madam,

We are pleased to have the opportunity to provide our comments on IASB ED Annual Improvements to IFRSs 2015-2017 Cycle (the "ED").

With reference to the amendments to IAS 12 Income Taxes, whilst we agree with the proposed amendment, we believe that pursuing the narrow-scope amendment to IAS 12, without providing some guidance on the key issue of determining whether payments on financial instruments that are classified as equity are dividends, may not lead to a significant improvement in consistent application compared to the current situation.

With reference to the amendments to IAS 23 Borrowing Costs we agree with the proposals included in the ED.

With reference to the amendments to IAS 28 Investments in Associates and Joint Ventures ("IAS 28") we have the following concerns.

This amendment highlights that there is a significant issue related with the definition of the unit of account in case in which an investor holds both long-term interests and equity investment over an investee. The issue is limited in the amendment to the financial statements of an investor who holds such financial investments over an entity, which are measured at equity method. We concur that the issue should not be extended neither to cases in which investment is consolidated nor to those in which the investment is measured at fair value. However, we believe that the case investigated for investments measured at equity method is not different from those in which the investment is measured at cost. In both cases the definition of the unit of account makes the difference in determining the measurement of impairment losses, whilst, obviously, this is not the case when investments are consolidated or measured at fair value.

Therefore, any amendment should be focused on both cases (investments measured at equity method and at cost method). In solving this issue, it cannot be ignored that the issue is much more frequent in the separate financial statements than in consolidated ones. This is because the magnitude of long-term interests towards subsidiaries is probably much higher than long-term interests towards associates or joint ventures. Moreover, especially in case of subsidiaries, it should be considered that the bright line dividing a long-term interest from an equity investment is very thin, since both are over the same entity even fully controlled, and therefore there is a need to define a principle able to distinguish them.

We note that the amendment of the IASB is limited to adjust some technical rules included in IAS 28, which could clash with the scope exemption of IFRS 9. We would expect that the IASB should consider the issue broadly. We would suggest verifying whether the principle included in paragraphs 15 and 15A of IAS 21 could be further developed to cover all the circumstances under discussion.

Finally, since the issue needs to be considered also in the context of long-term investments towards subsidiaries in the separate financial statements of the parent, we believe that the IASB should clarify if any expected credit losses recognized in long term interests that are not part of the equity investment should be considered as a sort of contribution from the parent to the subsidiary taking into account its underlying substance.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(Chairman)