

ADMISSION BOARD COMMUNIQUÉ NO. 13/2005 OF 21 NOVEMBER 2005

Areas of focus in the review of 2005 (or 2005/2006) annual reports

I. BACKGROUND

Periodic financial reporting under observance of applicable accounting rules (Arts. 64–70 of the Listing Rules (LR) as well as the Directive on Requirements for Financial Reporting) is an integral part of the information that contributes to transparent trading in keeping with the requirements of the Stock Exchange Act (SESTA, Art. 5 and Art. 8 para. 2).

Under the Directive on Enforcement of Financial Reporting Regulations and the Registration of Auditing Bodies, the Admission Board has the task of enforcing compliance with the applicable accounting rules.

For reasons of a generally preventative nature, it remains the intent of the Admission Board as a rule to make public those instances in which the accounting standards have been breached (Art. 82 para. 1 Point 9 LR).

II. KEY ASPECTS

Issuers' annual reports for the 2005 or, as the case may be, 2005/2006 financial year will be examined in particular for their compliance with the following aspects:

– **Transition from Swiss GAAP FER to IFRS (IFRS 1)**

The application of IFRS 1, in particular the necessary reconciliations as well as the meaningfulness of the related comments in the case of issuers who are adopting IFRS for the first time.

– **Share-based Payment (IFRS 2)**

Recognition of and compliance with the disclosure requirements, particularly with regard to the description of share-based compensation agreements, the valuation methods applied, as well as the related effects on the balance sheet and income statement; the correct application of transitional provisions for first-time adoption of IFRS 2.

– **Business Combinations (IFRS 3)**

Application of IFRS 3 in combination with IAS 36 (revised) and IAS 38 (revised). In this connection and in keeping with Art. 4 LR, the required annual impairment tests on goodwill and intangible assets with an indefinite useful life can be demanded. In addition, the heightened requirements pertaining to the disclosure of goodwill and intangible assets with an indefinite useful life will be systematically examined.

– **Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)**

In particular, examination of the circumstances associated with the classification of an asset as “held for sale”, as well as compliance with the relevant disclosure requirements.

– **Correction of Errors and Changes in Accounting Estimates (IAS 8 revised)**

The clear and unambiguous declaration of errors; a precise description of the facts of the matter, as well as an accounting of the quantitative effects of such; compliance with the broadened disclosure requirements of IAS 8 (revised).

– **Financial Instruments (IAS 32 revised)**

Application of IAS 32 (revised) in terms of presentation of financial instruments (distinction between liabilities and equity). Pursuant to IAS 32 (revised), equity is only then present if the issuer of capital has no contractual obligation to deliver cash or another financial asset.

– **Hedge Accounting (IAS 39 revised)**

Compliance with the formal requirements for the designation and documentation of hedge accounting; examination of the hedge effectiveness test and treatment of the ineffective portion.

III. CONCLUDING REMARKS

Through its resolute enforcement of the relevant accounting standards, the Admission Board’s intent is to heighten the transparency of corporate financial reporting. It regularly adapts its control measures in response to international developments in financial reporting.

IV. FURTHER INFORMATION ON PRESENTATION OF ACCOUNTS

We recommend that issuers who apply IFRS in their consolidated annual financial statements observe the 1 October 2005 updated version of Admission Board Circular No. 6. See:

http://www.swx.com/download/admission/regulation/circulars/abcircular_006_en.pdf

The aforementioned Circular makes reference to situations that, in a number of instances, have given rise to SWX Swiss Exchange enquiries and complaints.

The provisions related to financial reporting of companies listed on the SWX Swiss Exchange, together with the previously published sanctions in this connection, can be accessed via the following Internet address:

http://www.swx.com/admission/being_public/accounting_en.html

All Admission Board Communiqués related to accounting provisions are accessible via the following Internet address:

http://www.swx.com/admission/being_public/accounting/regulation_04_en.html

Admission Board Communiqués are accessible in English, German and French on the Internet at http://www.swx.com/admission/regulation/messages/2005_en.html