

Organismo Italiano di Contabilità – OIC (The Italian standard setter)

00187 Roma, Via Poli 29
Tel. 06/6976681 Fax: 06/69766830

July 14th 2003

Mr. Johan van Helleman
Chairman EFRAG
Avenue des Arts 41
1040 Brussels-Belgium

Object: Comments on IFRS 1- First Time Adoption of IFRS.

We are pleased to answer on the adoption of IFRS 1.

We appreciate the effort made by the IASB in simplifying, if compared to ED1, full retrospective application and comparative information requirements that we believe will make a mass, simultaneous, mandatory and en bloc migration, as it is the one planned by the EU Regulation No. 1606/2002, easier.

However we would like to call your attention on the following matters:

A. Paragraph 7 of IFRS1 requires the enterprise to use the same accounting standards for all periods presented and that these standards comply with those effective at the reporting date relating to the first financial statements prepared in accordance with IFRS. We suggested¹ that it is meant that standards effective at the reporting date are IFRS in force before the reporting date. Therefore, we support the assumption that a first time adopter shall apply the new standards issued during 2005 only from the beginning of the financial year 2006. This would permit not to modify, during the financial year, accounting entries already made on the basis of standards in force at the beginning of 2005.

B. For what concerns Interim Financial Reporting they shall be IFRS compliant for the periods subsequent to the first reporting date. In relation to this, if the first reporting date is December 2005, this requirement, in our opinion, regards the Interim Financial Reporting referred to the subsequent dates. Even though the possibility to provide IFRS compliant Interim Financial Reporting,

¹ See the attached letter addressed to the IASB on the 5th November 2002.

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during 2005, the above deferral to the subsequent year avoids undue efforts and excessive costs resulting from early adoption of reporting requirements. This represents, among the other things, the established principle used until now by the Italian authorities in relation to Interim Financial Reporting.

For any further clarification I would be happy to discuss it with you.

Yours sincerely.

Prof. Angelo Provasoli
OIC Chairman