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Re : **Draft comment letter on Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Cost of an Investment in a Subsidiary**

Dear Sirs,

We are pleased to provide you our response on the subject draft comment letter.

We agree that some form of deemed cost is necessary for the separate financial statements of the first time adopters. We also concur on the adoption of the fair value as deemed cost, since this would be a relief similar to that provided by the IFRS 1 for other long-term assets, such as the property, plant and equipment or the ownership of subsidiaries which are assimilable to those assets representing a long-term investment.

However, we do not support the "option" to adopt the owned share of the subsidiary net assets as deemed cost of the subsidiary. We believe the deemed cost of the subsidiary should be determined with the "equity method", unless the information necessary to apply the equity method is not available. In our opinion, the informative value of the equity method is superior.

This is true both when the parent entity has already adopted the IFRSs and when the adoption of the IFRSs is subsequent to that of the subsidiary. In both such cases the financial statements of the subsidiary do comply with the IFRSs (in the first case, the amounts involved are necessarily available in order for the parent entity to consolidate the group accounts, and in the second case because the subsidiary has adopted the IFRSs before than its parent).

Hence, we believe that IFRS should state that the deemed cost of the subsidiary (when not determined with the fair value) should be determined with the equity method and that only in rare and exceptional cases on the basis of the owned share of the subsidiary net assets.

In addition to the considerations expressed above, we note that the above solution would simplify the issue of clarifying which IFRS financial statements should be used when the subsidiary adopted the IFRS before its parent.

We hope the foregoing may help you in finalizing your letter.

Yours sincerely

Prof. Angelo Provasoli

(OIC – Chairman)