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Mr. Patrick Mommens
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18 February, 2004

Re: Adoption of the revised International Accounting Standards

Dear Patrick,

We are pleased to comment on EFRAG Draft Letter, Adoption of the revised International Accounting Standards, relating to the IASB Improvements project.

In relation thereto, we fully support the EFRAG reccomendations to IASB Improvements project, as well as EFRAG deliberation regarding the endorsement the revised International Accounting Standards. However, we believe that some of the more important issues raised by EFRAG and/or by OIC deserve to be reiterated and brought again to the attention of the Director General European Commission.

A short summary of the issues follows:

IAS 1 Presentation of Financial Statements

We agree with the principle of the "true and fair override" as part of the financial reporting framework, in case compliance with a IAS requirement would be so misleading. However, we do not support the requirement that it should be conditioned upon the regulatory framework. We believe that such a principle should always apply and national regulatory framework should not be considered in financial statements IAS compliant.

Dependence from national regulatory framework could undermine comparability in financial reporting if the application of the "true and the fair override" rule would not result so rare as implied.

The "overriding" rule purpose is to allow a true and fair view in the spirit of the IAS which are "principles based" and not "ruled based". Therefore, this rule has a pervasive value that is always to be taken into consideration. To admit the national regulatory framework to prevale on IAS in such an important (although rare) circumstance could create further problem in the future such as a legal or regulatory interpretation of IAS. Moreover the disclosure of the related effects cannot subsitute a proper accounting standard or limiting the effects related to the adoption of a proper accounting standard. This is a pervasive and fundamental concept which can never be abandoned.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Revised Ias 8 eliminates the distinction between fundamental errors and other material errors. Consequently, all other material errors should be corrected retrospectively by restating the financial statements presented, as if the error had never occurred, like in the case of fundamental errors. We are still supporting that material errors should be corrected prospectively, while limiting retrospective correction to the rare circumstances of fundamental errors and voluntarily changes in accounting policies.

Accordingly, we agree with EFRAG recommendation to retain the distinction between fundamental (to be treated retrospectively) and other material errors (to be treated prospectively).

IAS 16 – Property, Plant and Equipment

We agree with the revised IAS 16 except for paragraph 51, regarding the requirement that "the residual value and the useful life of an assets shall be reviewed at least at each financial year-end". Accordingly, measurement of residual value will no longer be fixed at acquisition date, but it should be reviewed at each balance sheet date, but using current prices for assets of a similar age and condition.

We disagree with the revision since it involves using current prices to determine residual value for assets held at historical cost. Consequently, we believe that the resulting annual depreciation charge would not represent an accurate measure of "depreciation on a systematic basis over its useful life" of the asset, as required by paragraph 62 of revised IAS 16.

Changing the residual value, at each year-end, triggers a valuation approach and not an allocation method to be applied consistently. Accordingly, restatement of residual value of an asset should only be permitted when the asset itself, is restated, but should not be permitted when the asset continue to be carried at depreciable historical cost.

IAS 27 – Consolidated and Separate Financial Statements

We generally support the revised Standard except that we do not see the reasoning why IAS has justified the abolition of the option of equity accounting in investment, subsidiaries, jointly, controlled entities and associates in the parent's separate financial statements. We believe that, conceptually, the cost method or fair value options for such investment do not give more relevant information than equity accounting.

Consequently the elimination of equity method in separate financial statements does not seem to be justified; instead it is more appropriate to maintain this method, given that it produces the same effects of the integral consolidation. Doing so it would be possible to have consistent approach both in consolidated and separate financial statements.

IAS 28 – Investments in Associates

We draw EFRAG attention on revised paragraph 29 of the Standard which require to discontinue recognising investor's share of losses of an associate only when it equals or exceeds its interest in the associate. We believe that other long-term interests (including long-term receivables or loans) should be separately evaluated for impairment, independently from applying equity method.

Should you need further clarification as to the above comments, we would be glad to discuss them further with you.

Yours sincerely,

Prof. Angelo Provasoli
(OIC – Chairman)