

22 January 2003

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

Dear Sir David

First-time Adoption of IFRS

I write to emphasize a concern that the Group of 100 raised in its submission on ED 1 'First-time Application of International Financial Reporting Standards'.

Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' (July 2001) permitted Australian companies to treat the revalued carrying amount of a non-current asset at its deemed cost where the company decided to discontinue revaluation. In complying with AASB 1041 many companies decided to revert to the cost basis and used deemed cost.

Reversion to original cost in these circumstances will be onerous and involve economic hardship for a substantial number of Australian companies in the transition to IASB standards.

The G100 considers that a practical outcome for Australian companies would be for the IFRS to permit the adoption of deemed cost in these circumstances.

One interpretation of ED 1 is that a revalued amount can be deemed to be cost if the revaluation reflected the fair value at the time of the revaluation even where it was undertaken some years previously. It is unlikely, when compared to this situation, that the use of the deemed cost adopted in the Australian standard would erode the credibility of the financial statements.

Yours sincerely

Tom Pockett
National President

c.c. Mr W. McGregor