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Exposure Draft „ED 1 First-Time Application of International Financial Reporting Standards“

Dear Sir David,

we are pleased that you are offering us the opportunity to comment on the Exposure Draft „ED 1 First-Time Application of International Financial Reporting Standards“. We welcome the revision of the rules for the first-time application of IFRS set out by SIC-8, because some of these rules are not clear enough. The revised standard will make the conversion to IFRS easier in practice. In our opinion, this revision is especially important in view of the Regulation on the application of international accounting standards in the EU as of 2005.

We would like to make the following remarks to some proposals of the Exposure Draft:

Re ED 1.2

ED 1.2 indicates that an entity shall apply ED 1 when it firstly presents financial statements that contain „an explicit and unreserved statement ... of compliance with IFRSs“. In our opinion this rule does not make clear in which way the compliance with IFRS has to be confirmed. One could, for instance, think of an auditor's qualification or a statement of compliance as indicated in IAS 1.11. This problem is only solved in the Basis for Conclusions with the hint at IAS 1 (BC 9). We recommend including this clarification in the standard itself, for example by a reference to IAS 1.11.

Re ED 1.5

According to ED 1.5 a wholly-owned subsidiary is not treated as a first-time adopter for recognition and measurement purposes when it firstly presents financial statements in compliance with IFRS, but was consolidated in financial statements that contained a statement of compliance with IFRS for the previous period. If the subsidiary is not wholly-owned, the owners of the minority interests must unanimously agree that the subsidiary is not treated as a first-time adopter.

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Generally, we welcome this exception. However, there is the question, why parent companies that apply IFRS in their single financial statements for the first time, but that were consolidated in a financial statement in compliance with IFRS for the previous period, are not exempted from ED 1 as well. From our point of view, the parent companies should fall into the scope of the exception just as subsidiaries.

Re ED 1.38

As already remarked in several previous comment letters, large multi-tier groups need a leadtime of at least one year to implement new standards. For this reason the time period between the publication of the final standard and the proposed effective date (January 1, 2003) is again much too short. We therefore propose to make the application of the standard mandatory from January 1, 2004 at the earliest.

Yours sincerely,

RWE
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(Head of Group-Accounting)



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