

Dr. Alexander Schaub
Director General
European Commission
Directorate General for the Internal Market

1049 Brussels

13 February 2006

Dear Dr. Schaub,

***Adoption of IFRIC 7 Applying the Restatement Approach under IAS 29
Financial Reporting in Hyperinflationary Economies***

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards we are pleased to provide our opinion on the adoption of IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (IFRIC 7), which was published by IFRIC on 24th of November 2005. It was issued in draft as IFRIC D5 and EFRAG commented on that draft.

EFRAG supports the objective of IFRIC 7, which is to provide guidance on how to apply the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies; in particular we agree on the need for guidance on measurement of comparative deferred tax items in the opening balance sheet.

IFRIC 7 becomes effective for annual periods beginning on or after 1 March 2006, with early application encouraged.

EFRAG has evaluated IFRIC 7 based on input from standard setters and market participants in accordance with EFRAG's due process.

EFRAG supports the new interpretation and has concluded that it meets the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards that:

- i. it is not contrary to the 'true and fair principle' set out in Article 16(3) of Council Directive 83/349/EEC and Article 2(3) of Council Directive 78/660/EEC; and
- ii. it meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

For the reasons given above, EFRAG believes that it is in the European interest to adopt IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* and, accordingly, EFRAG recommends its adoption.

On behalf of the members of EFRAG, I should be happy to discuss our advice with you, other officials of the EU Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Stig Enevoldsen
EFRAG, Chairman