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29 August 2002 **Via email**

The International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam

Exposure Draft of Revised IAS-27

Introduction

I wish to make a submission on clause 29 of this exposure draft of a revised IAS-27.

I am a Chartered Accountant and a member of the Institute of Chartered Accountants of New Zealand and a Fellow of the Chartered Secretaries New Zealand Incorporated.

Orion New Zealand Limited is an electricity distribution company and it also has several subsidiary and associate company investments. Our website address is www.oriongroup.co.nz

Submission

My submission is that sub-clause 29(b) should not be deleted.

The principal arguments in favour of retention of equity accounting in the separate financial statements of the parent include:

- there is no conceptual reason why there should be two different valuation methodologies between the investor's and the consolidated statement of financial position

- both sets of financial statements should be consistent in valuation methodology so that the user has less confusion over methodologies

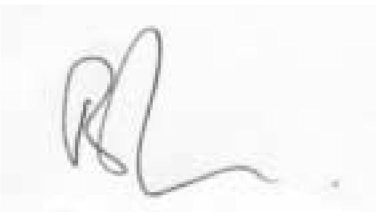
- as time goes on "cost" has less relevance as a valuation methodology in the investor's statement of financial position

- while “fair value” accounting under IAS-39 would be best, and I support that, equity accounting as an option is clearly next best because:
    - it allows for ongoing changes in the underlying net assets of the investee over time
    - equity accounting is one step closer to fair value accounting
    - it allows for the amortisation of goodwill inherent in the investment made over time
    - this standard is not the appropriate place to deal with the valuation of investments in the investor’s own statement of financial position. It would be better to deal with this in a separate standard on investments.

For your information, I enclose a copy of our Associates note from our 2002 audited financial statements that shows how the note disclosures might look under equity accounting.

Thank you for considering my submission.

Yours sincerely



Brendan Kearney CA, FCIS, MBA, PMD (Harvard)
General Manager Corporate Services
G:BPK-IAS-27-SUBMISSION.VCW

cc FRSB - ICANZ, Wellington, New Zealand

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8. Associates

	Group 2002 $000's	Group 2001 $000's	Parent 2002 $000's	Parent 2001 $000's
Carrying value				
Opening balance - carrying value	2,869	3,228	2,869	3,228
Opening balance - goodwill	5,500	-	5,500	-
Equity accounted earnings	(3,300)	(359)	(3,300)	(359)
Purchase of investments	11,415	6,855	9,738	6,855
Goodwill amortised during the year	(3,717)	(1,355)	(3,381)	(1,355)
Closing balance	**12,767**	**8,369**	**11,426**	**8,369**
Closing balances are made up as follows:				
Carrying value	(743)	2,869	(743)	2,869
Goodwill	13,510	5,500	12,169	5,500
	12,767	**8,369**	**11,426**	**8,369**
Equity accounted earnings				
Surplus / (deficit) before tax	(3,300)	(359)	(3,300)	(359)
Income tax	-	-	-	-
Total recognised revenues and expenses	**(3,300)**	**(359)**	**(3,300)**	**(359)**
Goodwill				
Opening balance	5,500	-	5,500	-
Acquired during the year	11,727	6,855	10,050	6,855
Amortised during the year	(3,717)	(1,355)	(3,381)	(1,355)
Closing balance	**13,510**	**5,500**	**12,169**	**5,500**
Closing balances are made up as follows:				
Gross amount	18,582	6,855	16,905	6,855
Accumulated amortisation	(5,072)	(1,355)	(4,736)	(1,355)
	13,510	**5,500**	**12,169**	**5,500**