ANGLO PLATINUM

Anglo American Platinum Corporation Ltd

16 September 2002

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

Dear Sir or Madam:

EXPOSURE DRAFT OF PROPOSED IMPROVEMENTS TO INTERNATIONAL ACCOUNTING STANDARDS

Thank you for the opportunity to present our comments on this exposure draft. Our comments are set out below, providing responses to the questions posed by the Board, as well as providing some additional comments on specific aspects.

IAS 1 – PRESENTATION OF FINANCIAL STATEMETNS

Question 1

Do you agree with the proposed approach regarding departure from a requirement of an International Financial Reporting Standard or an Interpretation of an International Financial Reporting Standard to achieve a fair presentation (see proposed paragraphs 13-16)?

Response

Yes.

Question 2

Do you agree with prohibiting the presentation of items of income and expense as 'extraordinary items' in the income statement and the notes (see proposed paragraphs 78 and 79)?

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Response

Yes. On a matter like this, consistent treatment is more important than anything else. Removing the option completely would require all enterprises to deal with these type of items in a similar manner, and will not leave it open to interpretation and judgement.

Question 3
Do you agree that a long-term financial liability due to be settled within twelve months of the balance sheet date should be classified as a current liability, even if an agreement to refinance, or to reschedule
payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue (see proposed paragraph 60)?

Response

Yes. This is a non-adjusting post-balance sheet event. It is recommended that IAS 1 cross-reference to the disclosure set out in IAS 10 for non-adjusting post balance sheet events.

Question 4(a)
Do you agree that:
a long-term financial liability that is payable on demand because the entity breached a condition of its loan agreement should be classified as current at the balance sheet date, even if the lender
has agreed after the balance sheet date, and before the financial statements are authorised for issue, not to demand payment as a consequence of the breach (see proposed paragraph 62)?

Response

Yes. This is a non-adjusting post-balance sheet event. It is recommended that IAS 1 cross-reference to the disclosure set out in IAS 10 for non-adjusting post balance sheet events.

Question 4(b)
Do you agree that:
if a lender was entitled to demand immediate repayment of a loan because the entity breached a condition of its loan agreement, but agreed by the balance sheet date to provide a period of grace within which the entity can rectify the breach and during that time the lender cannot demand immediate repayment, the liability is classified as non-current if it is due for settlement, without that breach of the loan agreement, at least twelve months after the balance sheet date and:

(i) the entity rectifies the breach within the period of grace; or

(ii) when the financial statements are authorised for issue, theperiod of grace is incomplete and it is probable that the breach will be rectified (see proposed paragraphs 63 and64)?

Response

i and ii) Yes.

Question 5

Do you agree that an entity should disclose the judgements made by management in applying the accounting policies that have the most significant effect on the amounts of items recognised in the financial statements (see proposed paragraphs 108 and 109)?

Response

Yes. This part of the standard may be expanded to deal with the scenario where items are **not** recognized on the balance sheet as a result of the application of judgement. Ie, off-balance sheet financing.

Question 6

Do you agree that an entity should disclose key assumptions about the future, and other sources of measurement uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (see proposed paragraphs 110-115)?

Response

Yes.

Other comments

Par 57

Per IAS 39 – Financial Instruments – Recognition and Measurement, liabilities can also be held for trading. Should Par 57 not reflect that?

Par 91(a)

(a) the <u>net</u> profit or loss for the period.

Par 114

The wording ‘reasonably possible’ seems very onerous it may cast a doubt on the reliability of the financial statements for a period. We submit that ‘may be possible’ could be used.

IAS 2 – INVENTORIES

Question 1
Do you agree with eliminating the allowed alternative of using the last-in, first-out (LIFO) method for determining the cost of inventories under paragraphs 23 and 24 of IAS 2?

Response

Yes.

Question 2
IAS 2 requires reversal of write-downs of inventories when the circumstances that previously caused inventories to be written down below cost no longer exist (paragraph 30). IAS 2 also requires the
amount of any reversal of any write-down of inventories to be recognised in profit or loss (paragraph 31). Do you agree with retaining those requirements?

Response

Yes.

IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Question 1
Do you agree that the allowed alternative treatment should be eliminated for voluntary changes in accounting policies and corrections of errors, meaning that those changes and corrections should be
accounted for retrospectively as if the new accounting policy had always been in use or the error had never occurred (see paragraphs 20, 21, 32 and 33)?

Response

Yes.

Question 2

Do you agree with eliminating the distinction between fundamental errors and other material errors (see paragraphs 32 and 33)?

Response

Yes, subject to inclusion of proper guidance on assessing materiality, ie. making it clear that it must be an error of the proportion that would make a previous set of financial statement unreliable, thus that users may have taken different decisions if they had the correct information. It is important that this amendment does not lead to an unnecessary number of restatements of financial statements because it could be interpreted as being much more onerous than a 'fundamental error'. The test should still be the reliability of the previous years' figures.

This amendment must be implemented with great caution to prevent that it has an unnecessary adverse effect on capital markets which interpret such restatements, especially at this time, very negative.

Other comments

Par 13 and 21

'...When comparative information for a particular prior period is not restated, the new accounting policy shall be applied to the balances of assets and liabilities as at the beginning of the next period and, where applicable, a corresponding adjustment shall be made to the opening balance of retained earnings for **the next period.**'

The words in bold above are confusing. We suggest replacing it with 'that period'.

Par 24 to 30

It is proposed that the change in estimate disclosures include a reference to the prior year disclosures required by IAS 1 in relation to measurement uncertainty and the factors affecting it. Where no disclosures were made in terms of IAS 1 in the previous period(s), a statement to that effect should be included.

IAS 10 – EVENTS AFTER THE BALANCE SHEET DATE

Other comments

Par 8

The word 'settlement' has a specific meaning in law. It is proposed that the word 'resolution' is retained to encompass not only a scenario where the disputing parties have settled, but also where the court fell a judgement.

IAS 16 – PROPERTY, PLANT AND EQUIPMENT

Question 1

Do you agree that all exchanges of items of **property, plant and equipment** should be measured at fair value, except when the fair value of neither of the assets exchanged can be determined reliably (see paragraphs 21 and 21A)?

Response

Yes.

Question 2

Do you agree that all exchanges of **intangible assets** should be measured at fair value, except when the fair value of neither of the assets exchanged can be determined reliably? (See the amendments in
paragraphs 34-34B of IAS 38, Intangible Assets, proposed as a consequence of the proposal described in Question 1.) (Note that the Board has decided not to amend, at this time, the prohibition in IAS 18, Revenue, on recognising revenue from exchanges or swaps of goods or services of a similar nature and value. The Board will review that policy later in the context of a future project on the Recognition of Revenue.)

Response

Yes.

Question 3

Do you agree that depreciation of an item of property, plant and equipment should not cease when it becomes temporarily idle or is retired from active use and held for disposal (see paragraph 59)?

Response

When the item is temporarily idle, yes. When the asset is retired from active use and held for disposal, however, no. When an asset is withdrawn from active use, it should not be depreciated because depreciation is evidence of consumption through use of the asset. It is proposed that these assets be carried at realizable value because their carrying amount is going to be recovered from sale.

Other comments

Par 53B(a)

'......Standard;s' should be Standards.

Par 58A

The paragraph tries to set a present value principle, but is not very successful. It is suggested that this paragraph be reworked.

IAS 17 – LEASES

Question 1
Do you agree that when classifying a lease of land and buildings, the lease should be split into two elements—a lease of land and a lease of buildings? The land element is generally classified as an operating lease under paragraph 11 of IAS 17, Leases, and the buildings element is classified as an operating or finance lease by applying the conditions in paragraphs 3-10 of IAS 17.

Response

Yes.

Question 2
Do you agree that when a lessor incurs initial direct costs in negotiating a lease, those costs should be capitalised and allocated over the lease term? Do you agree that only incremental costs that are directly attributable to the lease transaction should be capitalised in this way and that they should include those internal costs that are incremental and directly attributable?

Response

Yes.

IAS 21 – EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES

Question 1
Do you agree with the proposed definition of functional currency as "the currency of the primary economic environment in which the entity operates" and the guidance proposed in paragraphs 7-12 on how to determine what is an entity's functional currency?

Response

Yes.

Question 2
Do you agree that a reporting entity (whether a group or a stand-alone entity) should be permitted to present its financial statements in any currency (or currencies) that it chooses?

Response

Yes.

Question 3

Do you agree that all entities should translate their financial statements into the presentation currency (or currencies) using the same method as is required for translating a foreign operation for inclusion in the reporting entity's financial statements (see paragraphs 37 and 40)?

Response

Yes.

Question 4
Do you agree that the allowed alternative to capitalise certain exchange differences in paragraph 21 of IAS 21 should be removed?

Response

Yes. Conceptually, these are not costs necessary to bring an asset to the condition ready for its intended use. This amendment removes the application of judgement from this issue and would result in like treatment by all enterprises.

Question 5
Do you agree that
(a) goodwill and
(b) fair value adjustments to assets and liabilities
that arise on the acquisition of a foreign operation should be treated as assets and liabilities of the foreign operation and translated at the closing rate (see paragraph 45)?

Response

Yes.

Other comments

Par 1(a)

That a comma be inserted after the word 'derivatives'.

Par 13

That the term 'foreseeable future' be defined for instance by making it twelve months from the balance sheet date as was done in the statements on consolidation and associates.

IAS 24 – RELATED PARTIES

Question 1

Do you agree that the Standard should not require disclosure of management compensation, expense allowances and similar items paid in the ordinary course of an entity's operations (see paragraph 2)?
'Management' and 'compensation' would need to be defined, and measurement requirements for management compensation would need to be developed, if disclosure of these items were to be required. If commentators disagree with the Board's proposal, the Board would welcome suggestions on how to define 'management' and 'compensation'.

Response

Yes.

Question 2

Do you agree that the Standard should not require disclosure of related party transactions and outstanding balances in the separate financial statements of a parent or a wholly-owned subsidiary that are made available or published with consolidated financial statements for the group to which that entity belongs (see paragraph 3)? (Note that this proposal is the subject of alternative views of Board
members, as set out in Appendix B.)

Response

Yes.

Other comments

It is suggested that more guidance be provided on when two or more venturers participating in a joint venture are related parties.

IAS 27 – CONSOLIDATED FINANCIAL STATEMENTS

Question 1
Do you agree that a parent need not prepare consolidated financial statements if all the criteria in paragraph 8 are met?

Response

The requirement that the immediate or ultimate parent should publish consolidated financial statements that comply with IFRS, is very onerous. Let's assume a South African company which is a wholly owned subsidiary of a United Kingdom company complies with (a) through (c), but the UK parent does not comply with IFRS but with UK GAAP, then the wholly owned subsidiary will have to prepare a full set of consolidated financial statements compliant with IFRS. This does not seem praticable.

Question 2
Do you agree that minority interests should be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity (see paragraph 26)?

Response

Yes.

Question 3
Do you agree that investments in subsidiaries, jointly controlled entities and associates that are consolidated, proportionately consolidated or accounted for under the equity method in the consolidated financial statements should be either carried at cost or accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement, in the investor's separate financial statements (paragraph 29)? Do you agree that if investments in subsidiaries, jointly controlled entities and associates are accounted for in accordance with IAS 39 in the consolidated financial statements, then such investments should be accounted for in the same way in the investor's separate financial
statements (paragraph 30)?

Response

Yes.

IAS 28 – INVESTMENTS IN ASSOCIATES

Question 1

Do you agree that IAS 28 and IAS 31, Financial Reporting of Interests in Joint Ventures, should not apply to investments that otherwise would be associates or joint ventures held by venture capital organisations, mutual funds, unit trusts and similar entities if these investments are measured at fair value in accordance with IAS 39, Financial Instruments: Recognition and Measurement, when such
measurement is well-established practice in those industries (see paragraph 1)?

Response

Yes.

Question 2

Do you agree that the amount to be reduced to nil when an associate incurs losses should include not only investments in the equity of the in associate but also other interests such as long-term receivables
(paragraph 22)?

Response

Yes.

IAS 33 – EARNINGS PER SHARE

Question 1

Do you agree that contracts that may be settled either in ordinary shares or in cash, at the issuer's option, should be included as potential ordinary shares in the calculation of diluted earnings per share based on a rebuttable presumption that the contracts will be settled in shares?

Response

Yes. It results in a prudent result.

Question 2

Do you agree with the following approach to the year-to-date calculation of diluted earnings per share (as illustrated in Appendix B, examples 7 and 12)?

- The number of potential ordinary shares is a year-to-date weighted average of the number of potential ordinary shares included in each interim diluted earnings per share calculation, rather than a year-to-date weighted average of the number of potential ordinary shares weighted for the period they were outstanding (i.e. without regard for the diluted earnings per share information reported during the interim periods).
- The number of potential ordinary shares is computed using the average market price during the interim periods reported upon, rather than using the average market price during the year-to-date
period.
- Contingently issuable shares are weighted for the interim periods in which they were included in the computation of diluted earnings per share, rather than being included in the computation of diluted earnings per share (if the conditions are satisfied) from the beginning of the year-to-date reporting period (or from the date of the contingent share agreement, if later).

Response

Yes.

IAS 40 – INVESTMENT PROPERTY

Question 1
Do you agree that the definition of investment property should be changed to permit the inclusion of a property interest held under an operating lease provided that:
(b) the rest of the definition of investment property is met; and
(c) the lessee uses the fair value model set out in IAS 40,
paragraphs 27-49?

Response

Agreed if this only pertains to **land**.

Question 2
Do you agree that a lessee that classifies a property interest held under an operating lease as investment property should account for the lease as if it were a finance lease?

Response

Refer Response on Question 1 above.

Question 3
Do you agree that the Board should not eliminate the choice between the cost model and the fair value model in the Improvements project, but should keep the matter under review with a view to reconsidering the option to use the cost model in due course?

Response

Yes.

We trust that you will find these comments useful in finalizing the

Kind regards.

BARRIE VAN DER MERWE
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