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Sir David Tweedie
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Dear Sir David

ED 4 Disposal of Non-Current Assets and Presentation of Discontinued Operations

We have been following the Board's discussion regarding ED 4 based on the analysis of comment letters on ED 4. The following issues have particularly attracted our attention. First of all we appreciate your decision that the allocation of an impairment loss according to ED 4 shall be regulated consistently with IAS 36. We also appreciate that the Board decided to clarify the relationship between disposal groups and cash-generating units and the interaction between the scope of ED 4 and the application of the requirements for disposal groups.

However, we would like to take the opportunity to point out once more two critical issues of our comment letter.

1. In our comment letter on ED 4 we set out that we would prefer holding onto the requirements of IAS 35 for discontinuing operations. The segregation of discontinuing and continuing operations should provide users with disclosures about disposals, but the primary objective set out in IAS 35 is to enable users to project the entity's future performance. Thus, we are of the opinion that IAS 35 meets the requirements of decision useful information about discontinuances better than ED 4 because IAS 35 provides disclosure about abandonment much earlier than ED 4. Since we are convinced that the concept of dis-

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continuing operations gives more decision useful information to users we recommend reconsidering this matter once again.

2. We are not yet convinced that the measurement requirements should be based on a criterion such as held for sale. If a non-current asset classified as held for sale is still used, costs should be allocated by depreciation in accordance to the revenues which are generated by using the asset in operation. We are of the opinion that the cessation of depreciation and the measurement of non-current assets at fair value less cost to sell should be triggered by retirement from active use rather than by a sale agreement. We, therefore, recommend once more that depreciation of a non-current asset should be ceased when it is held for sale *and* retired from active use.

If you would like any clarification of these comments please contact me.

Yours sincerely,

Prof. Dr. Klaus Pohle
President