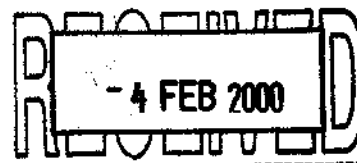


January 24, 2000 / FM

**Sulzer Management Ltd**  
8401 Winterthur  
Switzerland**The Secretary-General**  
International Accounting Standards Committee  
166 Fleet Street  
London EC4A 2DY  
United Kingdom**CL 4 7****Exposure Draft E 65 "Agriculture"**

Dear Sir,

Please find below our comments to the above mentioned Exposure Draft.

**General remarks:**

This is the second Exposure Draft which applies a full fair value approach to non financial assets with a direct recognition of all fair value changes in the income statement. This measurement and recognition method is strongly opposed by the large majority of IAS-preparers and does not reflect the interests of the users of financial reports.

The determination of fair values for biological assets is often very unreliable. In the cases of only one or two harvests per year large price movements between harvests, caused by small trading volumes, can be observed. In such cases, market prices are not a reliable basis for fair values of growing goods. Moreover, during their growth, biological assets cannot be assessed by a market price, because very often there is no market for immature commodities.

Another difficulty arises from the fact that even if a fair value could be determined, large risks are prevalent until harvest (recent example in Europe: growing timber). This is an important difference to financial assets and liabilities which are traded in regulated markets. Their default risk is much smaller. The potential of diseases and natural disasters mislead the user if fair values of biological assets are recognised in the balance sheet. The range goes from smaller percentages of lost assets to total damage of all biological assets of a company.

Even more, fair value will definitely create difficulties if all changes of fair values are directly recognised in the income statement. The fair value method originates from financial products, which have a relatively small default risk. Applied to biological assets, in many cases price risks and the harvest risk will result in unrealistic income statements.

**Questions:**

1. (a).
2. (c): Who would try to assess and book fair values of unfinished software products in the IT industry? If the conditions of IAS 38 § 45ff. are met, costs related to the project can be capitalised. If in the end the project fails, an impairment is recognised.

Why should then the progress of biological assets be recognised with fair values above cost? Especially as an impairment might come faster than expected (e.g. storm in Europe, El Niño in Australia).

Costs include costs directly related to the units of biological assets and systematic allocation of fixed and variable general costs that are incurred for growing and harvesting the biological assets.

3. (c): Fair values can be determined reliably when they are realised. Costs can be measured reliably when they occur. The capitalisation of cost permits the matching of cost and revenue for the purpose of performance measuring.
4. (b): We do not believe that fair value measurement is appropriated for non financial instruments. At least, the income statement should not be influenced by changes in "fair" values.
5. (a): Theoretically it is the best measure of fair value. However, very often, active markets with transparent prices do not exist. Any kind of adjustments would be arbitrary and therefore not advisable.
6. (a).
7. (a).
8. (a): Yes, if the disclosure requirements are limited to a narrative description.
9. (c).

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10. N/A.
11. (c): Depending on the possible other segments of the company, either a classification by function or by nature makes more sense.
12. (b): All fair values for biological assets should be excluded.
13. (b).
14. (a).
15. As stated under the general remarks, we disagree with the fair value approach adopted in this Exposure Draft.

We thank you for the opportunity of providing you with our comments and hope that they are helpful to you.

Yours faithfully



**Kurt Ott**  
Corporate Treasury and Controlling  
Head of Corporate Treasury and Controlling



**Michael Fleissner**  
Corporate Treasury and Controlling  
Manager Corporate Consolidation

Tel. ++41 52 262 32 08  
Fax ++41 52 262 01 26  
E-Mail: michael.fleissner@sulzer.ch