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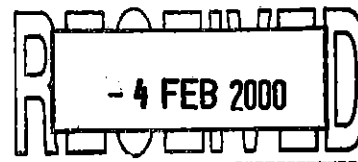
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**CL 4 9**

4 February 2000



Sir Bryan Carsberg
Secretary-General
International Accounting Standards Committee
166 Fleet Street
London EC4A 2DY
United Kingdom

Dear Sir Bryan

E 65 AGRICULTURE

North Limited (North) is pleased to provide comments on E 65 for the consideration of the IASC prior to finalising a Standard in this important area.

North is an international diversified mining and resources company listed on the Australian Stock Exchange. North owns and operates the North Forest Products group of companies, which has the largest estate of native and plantation trees in Australia. The North Forest Products Business has operated for over 70 years, and North has over 10 years experience valuing in forestry assets using a fair value type approach.

As a member of the Group of 100, North has had input into and supports the Group's submission on E 65. However, North is so concerned about some of the proposals in E 65 that it is taking this opportunity to raise them directly with the IASC.

North understands that as there is a wide diversity of financial reporting practice in the forestry industry internationally, all other things being equal, an International Accounting Standard that could help address this state of affairs would be desirable. Accordingly, subject to the comments below, North supports the development of a Standard on Agriculture by the IASC.

Recognition of Unrealised Gains in the Income Statement

North is concerned that E 65 proposes that unrealised changes in the value of forests should be recognised in the income statement. North believes that the issue of reporting on financial performance and the development of a general approach to the recognition of unrealised gains and losses in the income statement should be dealt with before industry specific Standards require the recognition of items such as unrecognised gains and losses.

In this respect, North requests that the IASC consider progressing the joint project with the G4 +1 group of standard-setters on reporting of financial performance (as a matter of priority) before a model such as that proposed in E 65 for income measurement is considered for adoption (and before other projects dealing with fair value accounting are progressed further). Not to take this course of action could reduce the comparability of financial reports prepared by enterprises involved in agricultural industries with those prepared by enterprises in other sectors of the international economy. Overall, this would seem to be an anomalous result for a body whose stated objective is to develop standards that will increase the comparability of financial reporting.

North agrees with the Group of 100 that in some circumstances, recognising unrealised gains and losses in the income statement can be misleading to users of financial reports. The IASC should note that a requirement for unrealised gains and losses to be recognised in the income statement would have a particularly severe impact on industries such as the forestry industry, where the growing cycle is generally between 10 and 30 years. In this respect the forestry industry is very different from many others (such as those heavily involved with property investments or financial instruments, or indeed most other agricultural industries) and the impact of recognising unrealised gains and losses in the income statement can be exacerbated when entities are increasing the total plantation area.

Measuring Biological Assets at Fair Value

North is concerned that in proposing a fair value model for accounting for assets such as forestry assets, the IASC has not conducted sufficient analysis of the guidance that would need to be provided in a standard to ensure true comparability and reliability of financial reporting. With our experience in fair value reporting of forestry assets and our discussions with other entities in Australia now preparing to move to adopt fair value reporting of forestry assets, North is convinced that the Australian Standard on Self-Generating and Regenerating Assets and the proposals in E 65 do not contain sufficient guidance to ensure an adequate level of comparability, and refers the IASC to the Group of 100 submission under question 3 and the heading "plantations and forests" for an illustration of the types of areas where further guidance is recommended.

In this respect, North has previously offered (and remains pleased to offer) the opportunity for the IASC staff to visit North Forest Products for the purposes of 'field testing' the proposals in E 65 in order to assist the IASC in determining where further guidance would be helpful to entities measuring forestry assets at fair values.

Consistency of IASC's Standards

North believes that the proposals in E 65 are incompatible with the IASC's recent standard on investment properties and that if an option to adopt either cost or fair value is given in relation to investment properties, there is no valid reason for not allowing the same option in respect of biological assets. Indeed, our experience is that biological assets are generally more difficult to measure reliably than investment properties. North believes that an option to adopt cost based accounting should be provided wherever fair value accounting is adopted until the question of performance reporting is resolved and/or where reliability remains a significant issue.

Transitional Provisions

The lack of adequate and equitable transitional provisions was a major factor in leading North to the position where it could not support the Australian Standard on Self-Generating and Regenerating Assets. Accordingly, North supports fully the Group of 100's submission with respect to the proposed transitional provisions, and believes strongly that the IASC should reconsider those provisions if and when it proceeds with a fair value approach to measuring biological assets.

Disclosures

North fully supports the Group of 100's comments on the disclosures proposed in E 65, and asks that the IASC reconsider its proposals in the light of the disclosures that are required by IASC standards dealing with areas other than biological assets (most asset classes have their own particular risk/return characteristics, and there would seem to be no valid reason for enterprises involved in agricultural industries being required to make more disclosures than others). The fact that there are some enterprises, such as North, who are involved in agricultural industries and other industries would in fact exacerbate any imbalance in the disclosures required in respect of biological assets.

Closing Comments

North would be pleased to clarify any of the above comments if necessary.

Yours sincerely,



Frank Micallef
Manager Accounting Policy
North Group