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15 September 2003

Ms A McGeachin
Project Manager
International Accounting Standards Board
30 Cannon St
London EC4M 6XH
United Kingdom

Dear Madam,

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

Thank you for the opportunity to comment on ED 4.

I am in agreement with the general approach of the ED. My responses to the specific questions are attached.

I do consider the disposal of non-current assets and presentation of discontinued operations would be better dealt with if included in two separate accounting standards. The issues related to discontinued operations are not adequately covered and include items that are outside the scope of non-current assets. This issue is dealt with in my response to the questions and IAS 35 should be amended to include the elements on discontinued operations.

As a general principle I support the use of sector neutral standards. In ED 4 the [draft] IFRS contains accounting treatments that are consistent for both profit making entities and public benefit entities.

I would like to suggest that a word or html version of the questions be available on the website in future. This saves submitters time in retyping them.

Yours sincerely

Paul Conder

Question 1: Classification:
The separate classification of items held for sale is supported. Intent to sell should be clearly demonstrated preferably at a governance rather than management level.

This provides additional information that is of use to the users of General Purpose Financial Statements. Users do need to understand the intentions of an entity toward material assets or operating units, especially when a change is intended.

I would suggest that disclosure be extended to include the general nature of an asset or operating unit held for sale. For example, an intention to sell all assets in the UK may materially affect the users assessment of sustainable viability of the entire entity.

The definition held in Appendix B states that assets must be held for "immediate" sale. This could result in items that are intended to be sold, and are impaired as a result, not being disclosed separately as "held for sale" because the immediacy requirement is not fulfilled. Example 1b in the Illustrative Examples is a good example of this where impairment would be treated as unrelated to a sale even though it was the result of a sale & purchase agreement.

Assets may be held for sale and not likely to be sold within one year. This is particularly true where a dispute may exist. These should still be treated as "held for sale" but included in non-current assets.

In one case for our entity we had a property clearly intended for disposal (with no intention to reverse the decision) that took five years to sell due to a lack of a buyer and then regulatory issues in the final approval. It would have been misleading to users of our financial statements to disclose this property as anything other than "held for sale".

Question 2: Measurement
The measurement basis proposed is appropriate. It is also consistent with that used in most jurisdictions including currently in my own (SSAP 17 & FRS 3).

It may still be appropriate that non-current assets are depreciated if they are still in use and the lower value (carrying or fair value less costs) is reduced by use.

It is not clear in clause 10 if the fair value is also at present value.

Questions 3: Disposal Groups
The concept of disposal groups is supported.

However, it is with disposal groups and discontinued operations that some of the confusion in the [draft] IFRS becomes evident.

The [draft] IFRS deals appropriate with non-current assets. Disposal groups and discontinued operations may consist of non-current liabilities, current assets and/or current liabilities. The definitions contained in the [draft] IFRS are not consistent with this.

Gains or losses in a disposal group may be attributable to a particular asset class. For example a loss may result from an agreement to discount accounts receivable balances in an operation being disposed. This loss should be appropriately attributed to a write-down of the current asset not a non-current asset.

Disposal groups should still be disclosed according to class of asset and the business segment clearly disclosed too.

It would also be possible to have a disposal group that reflects a previously acquired entity or subsidiary that is now to be sold. The fair value may be less than the carrying value of the acquired entity including goodwill but be more than the carrying value of the disposal group due to the exclusion of goodwill. This would result in no impairment being recognised until disposal.

It therefore may be appropriate for the scope to be amended to exclude internally generated goodwill but include goodwill on the acquisition of a disposal group.

Question 4: Newly Acquired Assets
The measurement basis is appropriate as it assumes that an acquiring entity has considered its intentions which negotiating the acquisition. However, the issue of acquired goodwill must also be considered.

Question 5: Revalued Assets
I do not believe the treatment is appropriate.

The proposed treatment is inconsistent with the treatment of an impairment loss that would result on a newly acquired asset or one that has not been revalued. The loss may be the result of current market conditions and be unrelated to an incorrectly estimated valuation, especially if that valuation is some time in the past.

Question 6: Removal of exemption
The exemption could remain. The idea of consolidating a subsidiary that will never be incorporated into an entity's business thinking seems non-sensible. Any goodwill from the transaction would appear to relate to the operations acquired to be retained not those intended for disposal.

Question 7: Presentation
Separate disclosure is supported and no off set should be allowed. Additional disclosure of the asset classes and business segmentation should be required.

Question 8: Discontinued Operations
The [draft] IFRS allows for partial discontinuance through disposal groups. This is appropriate and supported. IAS 35 should be amended accordingly to ensure it remains consistent.

The [draft] IFRS could lead to small units being treated as discontinued operations. In one instance in our entity a one-person department would have met the criteria. While the concept of materiality already should ensure that very small units are not treated in this manner, it may be appropriate to amend the [draft] IFRS or provide more guidance.

When an operation is discontinued or disposed this can have a material impact on the operations of the business. IAS 35 covers much of this and should be included in the same IFRS as the presentation elements discussed in this [draft] IFRS.