Dear Sirs

**Exposure draft ED/2013/8 – Agriculture: bearer plants**

We are submitting this letter in response to your invitation to comment on proposed amendments to IAS 16 and IAS 41. Our business is in tropical agriculture (oil palms and rubber) and beef cattle. We are listed on the London Stock Exchange’s Alternative Investment Market.

Overall, we welcome the proposed amendments to IAS 41 and IAS 16 that we believe better align the accounting for bearer plants with their underlying characteristics. We would like to acknowledge the work carried out by IASB staff in producing a straightforward set of proposals that, in our view, improve financial reporting. The annex to this letter sets out our formal response to the ten questions in the exposure draft, but we wanted to draw your attention to our comments on three questions in particular.

**i) Accounting for unharvested crop (question 10)**

We believe unharvested crop does not (not) qualify as a biological asset. It is not itself a living plant, but rather a growth emerging from a living plant that will in due course become agricultural produce. Therefore, until harvested, it does not fall within the scope of IAS 41 given that the proposed amendments to IAS 41 do not include any changes to the definition of biological assets. In some cases, for example tea bushes, it is impossible to distinguish between the bearer asset and its crop. This and other practical difficulties would be avoided by recognising the crop of a bearer asset at the point of harvest.

In any case, the volume of our unharvested crop at a point in time cannot be reliably measured. It is manifestly impossible to estimate the volume of latex behind a rubber tree’s bark. In the case of oil palms, unlike other crops where a cohort of planting advances at roughly the same pace, the palm produces flowers (and hence, ultimately, fruit) at its own individual pace. It is impossible to extrapolate some “average” measure from a sample of palms and we, a small operator, have an estimated 6 million palms on our estates so conducting a census of each palm is not feasible. Furthermore, the statutory deadline for reporting our results does not allow us to wait and measure actual future crop and apply a method to estimate its retrospective state of maturity at an earlier balance-sheet date. Budgeted crop over a short period can be subject to wide margins of error.
Not only would we find it impossible to measure the volume of unharvested crop, but neither partially-grown fresh fruit bunches nor tree sap have a market value. This is very different to, for example, partially-fattened beef cattle or young timber trees. Hence the only way in which we could value our unharvested crop would be to measure it using an estimate of deferred cost. This is not straightforward. A series of assumptions about actual expenditure could be made to calculate this estimate, but it would be a theoretical figure which we expect to be of no value to users or preparers of accounts.

We accept the IASB is not proposing any exemptions from fair-value measurement, but disagree with paragraph BC27 that the unharvested crop of a bearer plant is a consumable biological asset. It would be helpful if the proposed amendments confirmed this view. Should our view be rejected, we would hope that the IASB will emphasise the view already expressed in both paragraphs BC28 and AV7 that the practical difficulties in measurement could lead preparers to apply paragraphs 10c and 30 of IAS 41 until the crop is harvested.

**ii) Fair-value disclosures for bearer plants (question 6)**

The consultation exercise undertaken by the IASB clearly revealed that the fair values calculated under IAS 41 are of no value or interest to users. Instead, this group makes its own decisions about how to value bearer plants. We do not use IAS 41 valuations in managing our operations, and know of no plantation company which uses them other than to comply with its statutory obligations in reporting its results. Hence our view is that it would be a wholly-unjustified burden on preparers to continue to produce fair-value figures for bearer plants when the IASB has itself demonstrated there is no demand for such information.

It is also our view that the elements needed to produce a fair valuation of bearer plants is common knowledge amongst those people with a basic level of skill and knowledge of agriculture. For those without it, there are ample alternative ways to acquire such basic information and it is not justified to require companies to invest their resources to provide education to the public.

**iii) Additional disclosures (question 7)**

We publish a significant quantity of relevant information in both our annual report and in our analyst presentations (all of which is available on our website) that is relevant to our particular crops and circumstances. We know that many other agricultural companies do likewise. We would like to voice our concern that the addition of mandatory disclosures under IAS 41 could not be adequately framed to cover all possible crops without resulting in all companies providing a high volume of redundant information in order to deliver a small volume of information that is relevant to them. In any case, our view is that in practice a large amount of relevant information is already widely available, and hence that the proposed additional disclosures are a superfluous solution to a problem that does not exist.

Yours faithfully

[Signature]

**T R J PRICE**  
**GROUP FINANCE DIRECTOR**
### ANNEX: Responses to questions

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<td>1. <strong>Scope of the amendments</strong></td>
<td>We agree with the scope of the amendments. Bearer plants are readily distinguishable and largely share the characteristics of plant and machinery: they are held over many time periods and their economic value is in what they are used to produce, not in their own sale at the end of their useful lives. In principle, bearer animals could be included in the scope of the amendment, but we believe that in practice animals have too high a residual value as protein, as opposed to their capacity to bear offspring, to qualify as bearer assets. Any mixed bearer/consumer asset should stay within IAS 41.</td>
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<td>2. <strong>Accounting for bearer plants before maturity</strong></td>
<td>We agree bearer plants should be measured at accumulated cost. This is consistent with self-constructed machinery and provides information specifically requested by users of accounts. We believe each crop has unambiguous established practice as to whether a bearer asset is immature or mature.</td>
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<td>3. <strong>Guidance on perennial crops</strong></td>
<td>We believe no (no) additional guidance is needed in respect of perennial crops. Roots are part of a plant; the standard does not apply only to that part of a plant which is above ground.</td>
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<td>4. <strong>Accounting for bearer plants after maturity</strong></td>
<td>We agree bearer plants should be accounted for under IAS 16.</td>
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<td>5. <strong>Additional guidance</strong></td>
<td>We believe bearer plants can be accounted for under IAS 16 without (without) any additional guidance.</td>
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6. Fair-value disclosures for bearer plants

We believe that neither disclosures (a) nor (b) should be required.

(a) Users have clearly stated that the fair values calculated under IAS 41 are of no interest or value to them: they undertake their own valuations. We know of no plantation company, ourselves included, which has used IAS41 valuations to manage its operations. It would therefore be perverse to require preparers to continue committing resources solely to enable them to disclose figures for which there is no demand.

(b) The primary inputs needed to calculate fair values are common knowledge: it is reasonable to expect users of accounts to have a basic level of knowledge and skill and so it is unnecessary to publish the primary inputs to a fair-value calculation.

7. Additional disclosures

We believe additional information should be published in company annual reports and analyst presentations rather than in the notes to the accounts. This is current practice amongst agricultural companies, who provide information that is relevant to their particular crop(s) and circumstances. It is difficult to envisage how additional disclosure relevant to all crops could be framed. The more likely outcome is the mandatory provision of a significant volume of redundant information, of no interest to users and placing a disproportionate burden on preparers of accounts.

8. Transition provisions

We agree that preparers should be permitted (but not required) to use the fair value of bearer plants when applying the amendments to IAS16 and IAS41.

9. First-time adopters

We agree that first-time adopters should be able to take advantage of the deemed-cost exemption in respect of bearer plants.
10. Other comments

Paragraphs BC26-29 discuss the accounting for produce growing on bearer plants.

We would like to emphasise the caveat in BC28 about the practical difficulties involved: our firm view is that the volume of unharvested crop at a point in time, both in the case of oil palms and rubber trees, cannot be reliably measured.

Furthermore, we believe unharvested crop does not qualify as a biological asset: it is not itself a living plant, but rather a growth emerging from a living plant that will in due course become agricultural produce. Therefore, until it is harvested it does not fall within the scope of IAS 41. Indeed, in some cases it may be difficult to distinguish between the bearer asset and its crop, eg tea bushes. This and other practical difficulties would be avoided by recognising the crop of a bearer asset at the point of harvest.

Finally, since unharvested crop has no market value (unlike a half-fattened beef cow or young timber tree) the only way to measure it would be to recognise this asset using an estimate of its cost. Whilst a series of heroic assumptions consistently applied could be made to arrive at an accumulated cost derived from actual expenditure, we anticipate the resulting figure would be treated by users and preparers of accounts with the same disdain as has been afforded to valuations of bearer assets generated under the existing IAS 41.