

The Appendices are split into four parts for easy transmission, namely:

	<i>Appendix</i>	<i>Details</i>
<i>Part 1</i>	<i>A</i>	<i>Sime Darby Berhad Plantation Statistic as at 30 June 2010 (listed in Bursa Malaysia Securities Berhad)</i>
	<i>B</i>	<i>Extract of MASB letter to IASB dated 29 January 2010 on Fair Value Measurement Guidance</i>
	<i>C</i>	<i>Illustrative Examples</i>
<i>Part 2</i>	<i>D</i>	<i>Survey of IAS 41 Agriculture</i>
	<i>E</i>	<i>Analysis of fair value changes vis-a-vis profit before tax</i>
	<i>F</i>	<i>Extract of Audit Report</i>
<i>Part 3</i>	<i>G</i>	<i>Extract of Annual Reports</i> <ul style="list-style-type: none"> - <i>R.E.A Holdings</i> - <i>New Britain Palm Oil Limited</i> - <i>MP Evans Group</i> - <i>SA SIPEF NV</i> - <i>Wilmar International</i> - <i>Seeka Kiwifruit Industries Limited</i> - <i>Foster's Group Limited</i>
<i>Part 4</i>	<i>H</i>	<i>AASB's recommendation to IASB to improve paragraph 51 of IAS 41</i>
	<i>I</i>	<i>Marked up version of proposed amendments to IAS 41(prepared by MASB)</i>

Appendix H:
AASB's recommendation to IASB to improve paragraph 51 of IAS 41



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6 June 2011

Sir David Tweedie
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Dear David

IAS 41 *Agriculture*

The AASB is writing to recommend an improvement to paragraph 51 of IAS 41 *Agriculture*. Paragraph 51 encourages separate disclosure of the components of the change in the fair value less costs to sell of biological assets due to physical changes and due to price changes. The AASB recommends limiting this encouraged disclosure to biological assets with fair value determined through current volume/price multiples. Its reasons are set out below.

Under the AASB's recommendation, the current encouraged disclosure would not apply to fair value estimates based on the present value of future cash flows. In present value based estimates of the fair value of biological assets (referred to in paragraph 20 of IAS 41), current physical quantities are not multiplied by a price to determine present fair value and, therefore, separating physical change and price change components would be infeasible.

The AASB is concerned that the unrestricted nature of the encouraged disclosure in paragraph 51 of IAS 41 may contribute to misinterpretation of how fair value should be determined under that Standard. The AASB understands that, in respect of biological assets without observable market prices in their present condition, some entities have inappropriately estimated fair value (and changes therein) on the basis of an assumed linear relationship with physical growth. This assumption is a problem because the pattern of physical growth may differ from the pattern of change in fair value due to factors that affect fair value differently, including the time value of money, the pattern of risk over the period to the biological asset becoming marketable, and market participants' expectations regarding the future prices that will be obtained for the biological asset.

The AASB's recommendation would reinforce the IASB's removal from IAS 41 (in May 2008) of a potential source of confusion regarding the treatment of physical growth. In that amendment, the IASB removed the prohibition on an entity taking into account the cash flows resulting from 'additional biological transformation' when estimating the fair value of a biological asset using discounted cash flows.

**Appendix H:
AASB's recommendation to IASB to improve paragraph 51 of IAS 41**

AASB letter to IASB on IAS 41 Agriculture

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If you have any questions about the AASB's recommended amendment of IAS 41, please do not hesitate to contact Jim Paul (jpaul@asb.gov.au).

Yours sincerely



Kevin M. Stevenson
Chairman and CEO

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International Accounting Standard 41

Agriculture

This version includes amendments resulting from IFRSs issued up to 31 December 2010.

IAS 41 was issued by the International Accounting Standards Committee in February 2001.

In April 2001 the International Accounting Standards Board resolved that all Standards and Interpretations issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn.

IAS 41 and its accompanying guidance have been amended by the following IFRSs:

- IAS 1 *Presentation of Financial Statements* (as revised in December 2003)
- IAS 2 *Inventories* (as revised in December 2003)
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* (as revised in December 2003)
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (issued March 2004)
- IAS 1 *Presentation of Financial Statements* (as revised in September 2007)*
- *Improvements to IFRSs* (issued May 2008).*
- IFRS 9 *Financial Instruments* (issued November 2009)[†]
- IFRS 9 *Financial Instruments* (issued October 2010)[†]
- IFRS 13 *Fair Value Measurement* (issued May 2011)[†]
- To insert proposed amendment, if finalised

* effective date 1 January 2009

[†] effective date 1 January 2013 (earlier application permitted)

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BASIS FOR CONCLUSIONS

BASIS FOR IASC's CONCLUSIONS

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International Accounting Standard 41 *Agriculture* (IAS 41) is set out in paragraphs 1–62. All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. IAS 41 should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

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Introduction

- IN1 IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity of consumable biological assets, a matter not covered in other Standards. Agricultural activity is the management by an entity of:
- (a) the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce, or into additional biological assets; and / or
 - (b) biological assets for their agricultural produce.
- IN2 IAS 41 prescribes, among other things, the accounting treatment for consumable biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less costs to sell from initial recognition of consumable biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. However, IAS 41 does not deal with processing of agricultural produce after harvest; for example, processing grapes into wine felled trees into logs or lumber and wool into yarn.
- IN3 There is a presumption that fair value can be measured reliably for a consumable biological asset. However, that presumption can be rebutted only on initial recognition for a consumable biological asset for which quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable. In such a case, IAS 41 requires an entity to measure that consumable biological asset at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a consumable biological asset becomes reliably measurable, an entity should measure it at its fair value less costs to sell. In all cases, an entity should measure agricultural produce at the point of harvest at its fair value less costs to sell.
- IN4 IAS 41 requires that a change in fair value less costs to sell of a consumable biological asset be included in profit or loss for the period in which it arises. In agricultural activity of consumable biological assets, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. Under a transaction-based, historical cost accounting model, a plantation forestry entity might report no income until first harvest and sale, perhaps 30 years after planting. On the other hand, an accounting model that recognises and measures biological growth using current fair values reports changes in fair value throughout the period between planting and harvest.
- IN5 IAS 41 does not establish any new principles for land related to agricultural activity of consumable biological assets. Instead, an entity follows IAS 16 *Property, Plant and Equipment* or IAS 40 *Investment Property*, depending on which standard is appropriate in the circumstances. IAS 16 requires land to be measured either at its cost less any accumulated impairment losses, or at a revalued amount. IAS 40 requires land that is investment property to be measured at its fair value, or cost less any accumulated impairment losses. Consumable ~~B~~biological assets that are physically attached to land (for example, trees in a plantation forest) are measured at their fair value less costs to sell separately from the land.
- IN6 IAS 41 requires an unconditional government grant related to a consumable biological asset measured at its fair value less costs to sell to be recognised in profit or loss when, and only when, the government grant becomes receivable. If a government grant is conditional, including when a government grant requires an entity not to engage in specified agricultural activity of a consumable biological asset, an entity should recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met. If a government grant relates to a consumable biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses, the entity applies IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

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- IN7 IAS 41 is effective for annual financial statements covering periods beginning on or after 1 January 2003. Earlier application is encouraged.
- IN8 IAS 41 does not establish any specific transitional provisions. The adoption of IAS 41 is accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- IN9 The illustrative examples accompanying IAS 41 provide examples of the application of the Standard. The Basis for Conclusions summarises the Board's reasons for adopting the requirements set out in IAS 41.

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International Accounting Standard 41 *Agriculture*

Objective

The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity of consumable biological assets.

Scope

- 1 This Standard shall be applied to account for the following when they relate to agricultural activity:
 - (a) consumable biological assets;
 - (b) agricultural produce of biological assets at the point of harvest; and
 - (c) government grants covered by paragraphs 34 and 35.
- 2 This Standard does not apply to:
 - (a) bearer biological assets (see IAS 16 *Property, Plant and Equipment*);
 - (b) land related to agricultural activity (see IAS 16 ~~*Property, Plant and Equipment*~~ and IAS 40 *Investment Property*); and
 - (b) intangible assets related to agricultural activity (see IAS 38 *Intangible Assets*).
- 3 This Standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, IAS 2 *Inventories* or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes felled trees into wine logs or lumber by a vintner who has grown the grapes plantation company who owns its own plantation of pine trees. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.
- 4 The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool, carcass	Yarn, carpet, mutton
Trees in a plantation forest	Felled trees	Logs, lumber
Plants	Cotton fibers	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk, carcass	Cheese, beef
Pigs	Carcass	Sausages, cured hams, pork

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Biological assets	Agricultural produce	Products that are the result of processing after harvest
Bushes	Leaf	Tea, cured tobacco
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruit, vegetable oil
Studs	Lamb, calf, piglet	-
Thoroughbred	-	-

Definitions

Agriculture-related definitions

5 The following terms are used in this Standard with the meanings specified:

Agricultural activity is the management by an entity of:

- (a) the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets; and/or
- (b) biological assets for their agricultural produce.

Agricultural produce is the harvested product of the entity's biological assets.

A *biological asset* is a living animal or plant, which either fall into the category of bearer biological assets or consumable biological assets.

Bearer biological assets are biological assets that:

- (a) are cultivated for use in the production or supply of agricultural produce to others; and
- (b) are expected to be used during more than one period.

Consumable biological assets are biological assets other than bearer biological assets. These include:

- (a) biological assets that are capable of bearing agricultural produce and capable to be harvested as agricultural produce;
- (b) biological assets that are capable of bearing agricultural produce and are tradable in the market;
- (c) biological assets that are cultivated to be harvested as agricultural produce;
- (d) biological assets that are cultivated annually for bearing agricultural produce; and
- (e) biological assets that are cultivated for.

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Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

A group of biological assets is an aggregation of similar living animals or plants.

Harvest is the detachment of produce from a biological asset or the cessation of a consumable biological asset's life processes.

6 Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture and aquaculture (including fish farming). Certain common features exist within this diversity:

- (a) *Capability to change.* Living animals and plants are capable of biological transformation;
- (b) *Management of change.* Management facilitates biological transformation by enhancing, or at least stabilising, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
- (c) *Measurement of change.* The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fibre strength) or quantity (for example, progeny, weight, cubic metres, fibre length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.

6A Bearer biological assets are held for generation of income from sale of agricultural produce but are not agricultural produce themselves. Examples of bearer biological assets are bushes cultivated for tea leaf, plants cultivated for cotton fibers, fruit trees cultivated for fruits such as olives, apples and oil palm fruit bunches and vines cultivated for grapes.

Example of consumable biological assets include:

- (a) those capable of bearing agricultural produce and capable to be harvested as agricultural produce, for example livestock raised for bearing agricultural produce and production of meat such as dairy cattle;
- (b) those that are capable of bearing agricultural produce and are tradable in the market, for example livestock raised for bearing agricultural produce such as studs and merino sheep;
- (c) those that are cultivated to be harvested as agricultural produce, for example trees being grown for lumber, fish in farms, and livestock raised for the production of meat such as pigs;
- (d) those that are cultivated annually for bearing agricultural produce, for example crops such as maize and wheat; and
- (e) those that are cultivated for sale, for example livestock raised for sale such as thoroughbred.

7 Biological transformation results in the following types of outcomes:

- (a) asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants); or
- (b) production of agricultural produce such as latex, tea leaf, wool, and milk.

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General definitions

8 The following terms are used in this Standard with the meanings specified:

An active market is a market where all the following conditions exist:

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13 *Fair Value Measurement*.)

Government grants are as defined in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

9 [Deleted]

Recognition and measurement

10 An entity shall recognise a **consumable** biological asset or agricultural produce when, and only when:

- (a) the entity controls the asset as a result of past events;
- (b) it is probable that future economic benefits associated with the asset will flow to the entity; and
- (c) the fair value or cost of the asset can be measured reliably.

11 In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes.

12 A **consumable** biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably.

13 Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories* or another applicable Standard.

14 [Deleted]

15 The fair value measurement of a **consumable** biological asset or agricultural produce may be facilitated by grouping **consumable** biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing.

16 Entities often enter into contracts to sell their **consumable** biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in measuring fair value, because fair value reflects the current market conditions in which market participant buyers and sellers would enter into a transaction. As a result, the fair value of a **consumable** biological asset or agricultural produce is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a **consumable** biological asset or

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agricultural produce may be an onerous contract, as defined in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 applies to onerous contracts.

17 [Deleted]

18 [Deleted]

19 [Deleted]

20 [Deleted]

21 [Deleted]

22 An entity does not include any cash flows for financing the assets, taxation, or re-establishing **consumable** biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).

23 [Deleted]

24 Cost may sometimes approximate fair value, particularly when:

(a) little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to the end of a reporting period); or

(b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

25 **Consumable** ~~B~~biological assets are ~~often~~ **sometimes** physically attached to land (for example, trees in a plantation forest). There may be no separate market for **consumable** biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the **consumable** biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to measure the fair value of the consumable biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of **consumable** biological assets.

Gains and losses

26 **A gain or loss arising on initial recognition of a **consumable** biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a **consumable** biological asset shall be included in profit or loss for the period in which it arises.**

27 A loss may arise on initial recognition of a **consumable** biological asset, because costs to sell are deducted in determining fair value less costs to sell of a **consumable** biological asset. A gain may arise on initial recognition of a **consumable** biological asset, such as when a calf is born.

28 **A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.**

29 A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

Inability to measure fair value reliably

30 **There is a presumption that fair value can be measured reliably for a **consumable** biological asset. However, that presumption can be rebutted only on initial recognition for a **consumable** biological asset for which quoted market prices are not available and for which alternative fair value**

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measurements are determined to be clearly unreliable. In such a case, that **consumable** biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a **consumable** biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell. Once a non-current **consumable** biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.

- 31 The presumption in paragraph 30 can be rebutted only on initial recognition. An entity that has previously measured a **consumable** biological asset at its fair value less costs to sell continues to measure the **consumable** biological asset at its fair value less costs to sell until disposal.
- 32 In all cases, an entity measures agricultural produce at the point of harvest at its fair value less costs to sell. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.
- 33 In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers IAS 2, IAS 16 and IAS 36 *Impairment of Assets*.

Government grants

- 34 An unconditional government grant related to a **consumable** biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when, and only when, the government grant becomes receivable.
- 35 If a government grant related to a **consumable** biological asset measured at its fair value less costs to sell is conditional, including when a government grant requires an entity not to engage in specified agricultural activity, an entity shall recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.
- 36 Terms and conditions of government grants vary. For example, a grant may require an entity to farm in a particular location for five years and require the entity to return all of the grant if it farms for a period shorter than five years. In this case, the grant is not recognised in profit or loss until the five years have passed. However, if the terms of the grant allow part of it to be retained according to the time that has elapsed, the entity recognises that part in profit or loss as time passes.
- 37 If a government grant relates to a **consumable** biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), IAS 20 is applied.
- 38 This Standard requires a different treatment from IAS 20, if a government grant relates to a **consumable** biological asset measured at its fair value less costs to sell or a government grant requires an entity not to engage in specified agricultural activity. IAS 20 is applied only to a government grant related to a **consumable** biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Disclosure

- 39 [Deleted]

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General

- 40 An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of **consumable** biological assets and agricultural produce and from the change in fair value less costs to sell of **consumable** biological assets.
- 41 An entity shall provide a description of each group of **consumable** biological assets.
- 42 The disclosure required by paragraph 41 may take the form of a narrative or quantified description.
- 43 An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between ~~consumable and bearer biological assets or between~~ mature and immature biological assets, as appropriate. ~~For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets.~~ These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.
- 44 ~~[Deleted] Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.~~
- 45 **Consumable** biological assets may be classified either as mature biological assets or immature biological assets. Mature **consumable** biological assets are those that have attained harvestable specifications ~~(for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).~~
- 46 If not disclosed elsewhere in information published with the financial statements, an entity shall describe:
- (a) the nature of its activities involving each group of **consumable** biological assets; and
 - (b) non-financial measures or estimates of the physical quantities of:
 - (i) each group of the entity's **consumable** biological assets at the end of the period; and
 - (ii) output of agricultural produce during the period.
- 47 [Deleted]
- 48 [Deleted]
- 49 An entity shall disclose:
- (a) the existence and carrying amounts of **consumable** biological assets whose title is restricted, and the carrying amounts of **consumable** biological assets pledged as security for liabilities;
 - (b) the amount of commitments for the development or acquisition of **consumable** biological assets; and
 - (c) financial risk management strategies related to agricultural activity.
- 50 An entity shall present a reconciliation of changes in the carrying amount of **consumable** biological assets between the beginning and the end of the current period. The reconciliation shall include:

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- (a) the gain or loss arising from changes in fair value less costs to sell;
- (b) increases due to purchases;
- (c) decreases attributable to sales and **consumable** biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5;
- (d) decreases due to harvest;
- (e) increases resulting from business combinations;
- (f) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and
- (g) other changes.

51 The fair value less costs to sell of a **consumable** biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes whose fair value had been determined through current volume/price multiples. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops). However, this disclosure is not required for fair value estimates based on the present value of future cash flows because current physical quantities are not multiplied by a price to determine present fair value and therefore separating physical change and price change components would be infeasible.

52 Biological transformation results in a number of types of physical change—growth, degeneration, production, and procreation, each of which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a **consumable** biological asset due to harvesting is also a physical change.

53 Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with IAS 1 *Presentation of Financial Statements*. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

Additional disclosures for consumable biological assets where fair value cannot be measured reliably

54 If an entity measures **consumable** biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such **consumable** biological assets:

- (a) a description of the **consumable** biological assets;
- (b) an explanation of why fair value cannot be measured reliably;
- (c) if possible, the range of estimates within which fair value is highly likely to lie;
- (d) the depreciation method used;

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- (e) the useful lives or the depreciation rates used; and
- (f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

55 If, during the current period, an entity measures **consumable** biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such **consumable** biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such **consumable** biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those **consumable** biological assets:

- (a) impairment losses;
- (b) reversals of impairment losses; and
- (c) depreciation.

56 If the fair value of **consumable** biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those **consumable** biological assets:

- (a) a description of the **consumable** biological assets;
- (b) an explanation of why fair value has become reliably measurable; and
- (c) the effect of the change.

Government grants

57 An entity shall disclose the following related to agricultural activity **of consumable biological assets** covered by this Standard:

- (a) the nature and extent of government grants recognised in the financial statements;
- (b) unfulfilled conditions and other contingencies attaching to government grants; and
- (c) significant decreases expected in the level of government grants.

Effective date and transition

58 This Standard becomes operative for annual financial statements covering periods beginning on or after 1 January 2003. Earlier application is encouraged. If an entity applies this Standard for periods beginning before 1 January 2003, it shall disclose that fact.

59 This Standard does not establish any specific transitional provisions. The adoption of this Standard is accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

60 Paragraphs 5, 6, 17, 20 and 21 were amended and paragraph 14 deleted by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

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- 61 IFRS 13, issued in May 2011, amended paragraphs 8, 15, 16, 25 and 30 and deleted paragraphs 9, 17-21, 23, 47 and 48. An entity shall apply those amendments when it applies IFRS 13.
- 62 [To insert transition]

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Appendix Amendments to IAS 16 *Property, Plant and Equipment*

Paragraphs 2 and 3 are amended (new text is underlined and deleted text is struck through). Paragraphs 5A, 68B and 79A and a heading after paragraph 79 are added.

Scope

2 This Standard shall be applied in accounting for property, plant and equipment except when another Standard requires or permits a different accounting treatment.

3 This Standard does not apply to:

- (a) property, plant and equipment classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- (b) consumable biological assets related to agricultural activity (see IAS 41 *Agriculture*);
- (c) the recognition and measurement of exploration and evaluation assets (see IFRS 6 *Exploration for and Evaluation of Mineral Resources*); or
- (d) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.

However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b)–(d).

5A This Standard shall be applied in accounting for bearer biological assets as defined in IAS 41. Consumable biological assets growing on bearer biological assets (for example, fruits growing on a tree) are separately recognised and valued at fair value at the point of harvest in accordance with IAS 41.

Government grants

79A An entity shall disclose the following related to agricultural activity of bearer biological assets covered by this Standard:

- (a) the nature and extent of government grants recognised in the financial statements;
- (b) unfulfilled conditions and other contingencies attaching to government grants; and
- (c) significant decreases expected in the level of government grants.

Appendix I

IAS 41

Amendments to IAS 2 *Inventories*

Paragraph 2 is amended (new text is underlined and deleted text is struck through).

Scope

- 2 This Standard applies to all inventories, except:
- (a) work in progress arising under construction contracts, including directly related service contracts (see IAS 11 *Construction Contracts*);
 - (b) financial instruments; and
 - (c) biological assets related to agricultural activity and agricultural produce at the point of harvest (see IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*).