

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

16 January 2009

Grant Thornton International
Regent's Place
7th Floor
338 Euston Road
London NW1 3BG

Submitted electronically through the IASB Internet site (www.iasb.org)

Exposure Draft Discontinued Operations - Proposed Amendments to IFRS 5

Grant Thornton International is pleased to comment on the International Accounting Standards Board's (the Board) Exposure Draft *Discontinued Operations - Proposed Amendments to IFRS 5* (the ED). We have considered the ED, as well as the accompanying draft Basis for Conclusions.

Eliminating the difference between the definition of discontinued operations under IFRS and under US GAAP is important in terms of continuing the convergence efforts of the Board and the Financial Accounting Standards Board (FASB) and is to be welcomed. We are also generally supportive of the specific proposals. However, we believe that the proposed definition of a discontinued operation may need to be refined to be more consistent with its underlying rationale. We also have a concern that the proposed disclosures relating to disposals of other components may capture too many transactions.

Our detailed responses to the questions in the ED's Invitation to Comment are set out below.

Question 1 - Definition of discontinued operations

Question 1(a) - Do you agree with the proposed definition? Why or why not? If not, what definition would you propose, and why?

We support the Board's efforts to achieve a converged definition of discontinued operations, but have some comments on certain aspects of the proposed definition. The proposed definition uses an operating segment (as defined in IFRS 8) as the threshold to determine whether a disposed of component of an entity should be presented in discontinued operations.

We agree with the argument in BC7 that a disposal activity should be reported as a discontinued operation if it represents a strategic shift in an entity's operations. We also agree that in most cases the disposal of an operating segment is likely to represent such a shift.

However, we note that some entities have a large number of operating segments (which would be subject to IFRS 8's aggregation and practical limit criteria for segment reporting purposes). The number and nature of the operating segments depends on the amount of information provided to and regularly reviewed by the Chief Operating Decision Maker (CODM), who may choose to review at a very detailed level.

For example, in the real estate investment sector we believe it is common practice for the CODM to review information on every property. Accordingly, we question whether a disposal of a segment will represent a strategic shift in all cases.

To address this concern, we suggest that the Board should consider rephrasing part (a) of the definition along the lines that a disposal that represents a strategic shift is a discontinued operation. This could be supported by a rebuttable presumption that the disposal of an operating segment represents such a strategic shift.

Part (b) of the definition proposes that businesses that meet the criteria to be classified as held for sale on acquisition should be presented in discontinued operations. This is a change from the current definition, which refers to a subsidiary acquired exclusively with a view to resale. We agree that the definition should refer to a business as all acquisitions of businesses face the same presentation issues regardless of the legal form of the acquiree.

Question 1(b) - If an entity is not required to apply IFRS 8, is it feasible for the entity to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply IFRS 8, and why?

The proposed definition of discontinued operations involve some additional work for those entities that are not required to apply IFRS 8. However, we do believe that it is feasible for those entities to determine whether the component of an entity meets the definition of an operating segment.

In making this comment we note that entities with recognised goodwill may already be required to identify operating segments under IFRS 8 as part of the process of allocating goodwill to groups of cash-generating units in accordance with IAS 36 *Impairment of Assets*.

Question 2 – Amounts presented for discontinued operations

Do you agree that the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income? Why or why not? If not, what amounts should be presented, and why?

We agree with the proposal. We believe that it is more important for amounts presented for discontinued operations to be based on the amounts in the statement of comprehensive income than on the amounts in the segmental information disclosures.

While there will be a need for some additional reconciliations, it is hard to understand how there could be a proper allocation between continuing and discontinued operations without the amounts being based on those presented in the statement of comprehensive income.

Question 3 - Disclosures for all components of an entity that have been disposed of or are classified as held for sale

Question 3(a) - Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose, and why?

We do not agree with the proposal. We are concerned that the requirement in paragraph 41A of the ED to provide information on any component that has been disposed of or classified as held for sale (regardless of whether the component is presented as a discontinued operation or within continuing operations) will result in excessive disclosures.

We say this because IFRS 5 defines a 'component of an entity' as "operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity". This definition could encompass quite insignificant operations, and is bounded primarily by the level of detail available in the entity's reporting system.

We believe the objective of the proposed disclosures should be to capture significant disposals that do not represent a strategic shift. One way of achieving this might be to apply a threshold derived from IFRS 5's existing definition of a discontinued operation ie a separate major line of business or geographical area of operations.

Question 3(b) - Do you agree with the disclosure exemptions for businesses that meet the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose, and why?

We agree with the disclosure exemptions.

The current version of IFRS 5 exempts subsidiaries held for sale on acquisition from providing disclosures relating to the major classes of assets and liabilities classified as held for sale. The logic behind this exemption was that requiring the note disclosures could have required entities to obtain significantly more information in relation to such subsidiaries.

We believe that this logic is equally applicable to all types of businesses that meet the criteria to be classified as held for sale on acquisition. We therefore agree with the disclosure exemptions.

Question 4 - Effective date and transition

Are the transitional provisions appropriate? Why or why not? If not, what would you propose, and why?

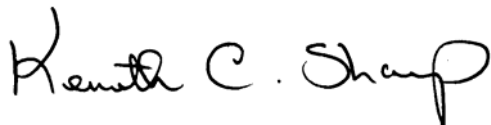
We agree that entities may face difficulties in obtaining the information to apply the proposed amendments retrospectively for the note disclosures. This will be especially true for those entities that are not required to comply with IFRS 8, as it may be the first time that they have considered the identification of operating segments. More generally, entities will not have previously collected the information required for the proposed disclosures in paragraph 41A. Given that these disclosures apply regardless of whether a component is presented as a discontinued operation or within continuing operations, collecting this information retrospectively can be expected to be onerous. We therefore support prospective application of the proposed amendments.

Other comment

We suggest that paragraph 41B is amended to read "The amounts disclosed to comply with paragraph 41A shall be determined using the IFRSs used to determine the amounts presented in the statement of comprehensive income or statement of cash flows...". This will be more consistent with the requirements of paragraph 41A.

If you have any questions on our response, or wish us to amplify our comments, please contact our Executive Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gtuk.com or telephone + 44 207 391 9510).

Yours sincerely,

A handwritten signature in black ink that reads "Kenneth C. Sharp". The signature is written in a cursive style with a large initial 'K' and a distinct 'P' at the end.

Kenneth C Sharp
Global Leader - Assurance Services
Grant Thornton International