Q: Grant Thornton recognizes at line 13-14, page 67 of its Financial Consultants Report that in the test years "...there are no loss on disposals recognized due to a new proposed method of recording asset retirements under the depreciation study...". Hydro's depreciation study indicates that the use of group accounting means that losses on disposal, which would previously have been recognized in full in the year they arise, will now be recorded to the group (via a reduction in accumulated amortization). However, per line 3-4, page 38 of the Financial Consultants Report, Grant Thornton notes "The recommendation of the use of a group method which would result in the inclusion of a loss on asset disposal costs in the depreciation expense is consistent with IFRS" (emphasis added). By the term "in the depreciation expense", does Grant Thornton mean the loss would be included in the group accumulated amortization, and by this manner become part of the full life true-up of the depreciation expense over the life of the group (as proposed by Hydro)? Or does Grant Thornton mean, in Grant Thornton's view, the full loss needs to be recorded in the year the loss arises (as previously recorded by Hydro as a "loss on disposal") in order to retain IFRS compliance?

A: In relation to Page 38, lines 3-4 of the Financial Consultants Report, “The recommendation of the use of a group method which would result in the inclusion of a loss on asset disposal costs in the depreciation expense is consistent with IFRS”, Grant Thornton means the loss would be included in the group accumulated amortization, and by this manner becomes part of the full life true-up of the depreciation expense over the life of the group.