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TINTO

5 September 2002

Mr Stephen McEwan
Accounting Standards Board
Holborn Hall
100 Gray's Inn Road
London
WC1X8AL

Dear Mr. McEwan

I attach a note commenting on certain points contained in recent exposure drafts.

Yours sincerely

M R Merton

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Controller

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FRED 24
ASB 28 (ii) We agree that exchange differences arising on an entity's net investment in a foreign operation and recognised in the STRGL should not be recycled to the profit and loss account at the time of disposal of the subsidiary.

FRED 26
ASB 24 (iii) We suggest that the new standard should continue to permit the disclosure of alternative measures of earnings and earnings per share on the face of the profit and loss account in the manner currently provided for under UK accounting standards. We consider that the presentation of an adjusted earnings measure, which excludes exceptional items of such magnitude that such exclusion is necessary to reflect the underlying performance of the Group, is very helpful to readers of the accounts and therefore deserves prominence.

FRED 29
ASB 38 (ix) Where an interest in a fixed asset is exchanged for an interest in a similar asset, we consider that the interest acquired should continue to be carried in the accounts on the basis of the book value of the asset surrendered. This has particular relevance in the mining industry where an interest in one orebody may be swapped for an interest in an adjacent orebody. The transaction may be designed to create a partnership between two proprietors that will enable the two mining properties to be developed with economies of scale. The nature and size of the reporting unit's asset portfolio may be substantially unchanged. Under the historical cost convention, it would appear inappropriate to change the book values of the company's assets where there has been no substantial change in the assets owned.

Paragraph 21 of FRED 29 requires that an item of property, plant and equipment acquired in exchange for another item of property, plant and equipment be accounted for at the fair value of the asset given up. It is not clear from the FRED whether any excess of the fair value of the asset given up over its book value should be credited to the profit and loss account or to the STRGL. Depreciation charges on the uplift in value of fixed assets will be taken to profit and loss account in future years. To be consistent with this approach the uplift in value should itself be credited to profit and loss account.

ASB 38 (x) We consider that the capitalisation of interest costs on borrowings related to construction or development projects is appropriate since this represents a cost of bringing an asset into working condition for its intended use. If it is accepted that capitalisation of such interest is appropriate then it appears logical that this treatment should be mandatory.

FRED 30
ASB 31(v) (b) We agree that recycling of gains and losses on hedging transactions should be avoided by reporting these in the balance sheet until the hedged transaction occurs. We feel that this more fairly reflects the underlying purpose of currency hedging which is to protect shareholders' funds, as well as earnings, from fluctuations in exchange rates. The proposed treatment fully reflects the hedge in the financial statements, but also, in effect, records that aspect of the future transaction that is the subject of the hedge.

The proposed approach also has the benefit of being easier to administer and, provided that full explanation is given, easier for readers of the accounts to understand.

Amendment to FRS 17
We agree that the mandatory full adoption of FRS 17 should be deferred during the period of the international discussions on IAS 19 (revised). This will avoid imposing the necessity for companies to make two fundamental changes to post retirement accounting in a short period of time.

ED - IAS 21 - The Effect of Changes in Foreign Exchange Rates Question 2 - We agree that a reporting entity should be permitted to present its financial statements in any currency (or currencies) that it chooses, which will not necessarily be its functional currency. Legal, tax or investor relations’ issues may determine the currency in which an entity must report its results. In the absence of such restrictions, reporting entities should be encouraged to report in the currency that most fairly represents its performance and financial condition. This will not always be the domestic currency.