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14 October 2002

Dear Sir

FRED 30— FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION; RECOGNITION AND MEASUREMENT

We welcome the opportunity to comment on the proposals set out in FRED 30.

In principle, we support the ASB's proposals to converge UK standards with IFRS. However, we draw your attention to our separate letter on the implementation of revisions to UK GAAP, in which we have set out our overall comments on the Board's proposals in FREDs 23-30 As stated therein, our view is that new UK standards should be issued only where they follow IFRS word for word, and where the IFRS will not itself be changed before 2005. We do not support the early introduction of FRED 30 into UK GAAP because it would not achieve consistency with IFRS and would, potentially, lead to a double change in requirements when IFRS are introduced into UK GAAP in 2005.

In our detailed response, we raise major concerns relating to the issue of substance (in particular, derecognition) and to the drafting of the proposed standards. In our view, the derecognition issue needs further work urgently and we advocate an international convergence project on this which should not be confined to financial instruments. We also believe that IAS 39 is largely beyond the comprehension of many smaller quoted companies, to whom it will apply from 2005. We advocate rearranging and rewriting the standard to place more emphasis on its underlying principles and core requirements, with material relating to highly sophisticated instruments likely to be held only by the very largest multinational companies being separated out. We find the material on derecognition and hedging to be particularly difficult to comprehend and recommend that, at the very least, this should be redrafted to improve its clarity and comprehensibility.

We also have major concerns about the recycling issue. The proposed revised standards appear to institutionalise recycling at the very time that its abolition is under consideration as part of the IASB's project on reporting financial performance. We therefore propose that the revised IAS 32 and 39 should not be issued until the performance reporting project has been completed.

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We respond in detail to the questions raised in the FRED in the appendix. If you would like us to amplify our comments, please contact Robert Carroll on 0870 991 2210. Yours faithfully

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APPENDIX I

QUESTIONS POSED BY THE ASB

ASB (i) ***Treating IASs 32 and 39 as a package (Appendix III, paragraph*** **15)-The ASB has concluded that it is best to view the requirements in IASs 32 and 39 as a single package of requirements that should, as far as is practicable, be implemented in the UK at a single point in time. Do you share this view?**

We agree that IASs 32 and 39 should be implemented in the UK at a single point in time. However, we believe that the ASB should take no action to implement these standards in the UK until the outcome of the Department of Trade and Industry's current consultation on possible extensions to the scope of the European Union Regulation on IAS is known. If there remains a need to implement IASs 32 and 39 as UK standards once any possible extensions to the Regulation are known, in our view the new standards should not become mandatory prior to 2005.

We draw your attention to our letter to the Board of 16 September 2002 regarding the implementation of revisions to UK GAAP, in which we stated our views that there should be as few changes in standards as possible and that there is little value in introducing now standards which are different from IFRS. In our view, new standards should be implemented only if they follow the IASB text word for word (except for cross-references and a FRSSE scope exemption).

ASB (ii) ***Implementation in 2004 (Appendix III, paragraphs 1*** **7-20)—Notwithstanding the general approach referred to in (i) above, the ASB is proposing to implement, at a single point in time, some parts of the standards in mandatory form, some in non-mandatory form and some not at all for the time being. At the same time, it is proposing to withdraw FRSs 4 and 13 (and related UITF Abstracts) and keep in place most parts of FRS 5. Do you believe that, in the circumstances, this represents the best possible approach of implementing in the UK the international requirements in this area?**

No. See our answer to question ASB (i) above.

We believe that it is particularly inadvisable for listed companies to be required to move to a new UK standard in 2004, which would still differ from the international text, then switch to the revised international standards in 2005. If there is any desire on the part of listed companies to move to JFRS prior to 2005, it would be to move directly to IFRS. Unlisted companies do not need the confusion of a half-way-house standard. Therefore, in the short run, either FRS 4 should be retained or it should be replaced by the presentation, recognition and measurement aspects of IAS 32 and 39. In our view, in the long run, there should be only two levels of accounting standard applicable to UK companies: IFRS and a FRSSE derived from IFRS, which may have a significantly wider scope than the existing FRSSE.

ASB (iii) ***Recognition and derecognition (Appendix III, paragraphs 23-39)-The FRED proposes that the proposed new IAS 39 approach to recognition and derecognition should not be implemented in the UK at the present time Instead, when the direction of international convergence on this subject***

becomes clearer, a further consultation document will be issued. Do you agree with this approach?

Yes. See also our comments in response to question IAS 39 (ii).

ASB (iv) ***Measurement (Appendix III paragraphs*** **30-49)—The ASB is proposing that, prior to 2005, companies should be required to adopt IAS 39's measurement requirements only if they choose to adopt the fair value accounting rules that will be set out in companies legislation. Entities that do not choose to adopt those rules will not initially be required by UK standards to adopt the measurement requirements at all.**

(a) Do you agree with this approach?

No. If FRED 30 were to be implemented as UK FRSs, a gap in requirements would emerge for those companies that did not adopt the fair value model. If a company did not adopt this model, the existing measurement requirements of FRS 4 would be lost without replacement. For example, it appears that there would be no requirements as to the initial measurement of an instrument or determination of finance costs. Existing disclosures would also be lost. We would be surprised if this is result that the ASB intended.

See also our answer to question ASB (i) above.

(b) Do you agree that the recycling requirements of IAS 39 should not be implemented in the UK pending completion of the project on reporting financial performance and do you agree with the alternative treatment proposed in the FRED? ***(Appendix III, paragraphs 50-52)***

Yes to the first part of the question and no to the second part. See also our general comments on recycling.

ASB (v) ***Hedge accounting—The*** **ASB is proposing a similar approach to IAS 39's hedge accounting requirements as to its measurement requirements.** ***(Appendix III, paragraphs 57-63, 69 and 70)***

(a) Do you agree with this approach?

No. See our answers to questions ASB (i) and (iv)(a) above.

(b) Do you agree with the approach being proposed in place of recycling? ***(Appendix III, paragraphs 64-68)***

We agree that the ASB's proposed approach is better than recycling, but the ASB should not move on this issue at present as the 1FRS position on recycling may change. See also our general comments on recycling.

ASB (vi) ***Unlisted entities and individual financial statements***

(a) The FRED proposes that, prior to 2005, entities should be required to comply with IAS 39's measurement and hedge accounting provisions in certain circumstances only. That will change in 2005 for the consolidated financial statements of listed entities but, the FRED suggests, not for other entities or other types of financial statement. Thus, from 2005 listed entities that do not prepare consolidated financial statements and unlisted entities will not be required to adopt IAS 39's measurement and hedge accounting provisions unless they choose to adopt the fair value accounting rules set out in the Companies Act 1985. Similarly, listed entities that prepare consolidated financial statements will not be required to adopt IAS 39's measurement and hedge accounting provisions in their individual financial statements unless they adopt the fair value accounting rules in those financial statements. Do you agree with this approach?

See our response to question ASB (i). The ASB's proposed voluntary approach to the fair value model seems logical but the overall proposed approach to implementation is too complicated and does not even have the benefit of comparability.

(b) FRS 13's disclosure requirements apply only to entities, other than insurance entities, that are listed or have publicly-traded securities and all banks. The ASE is proposing to revise the disclosure requirements on 1 January 2004 and to apply those new requirements to all listed entities, all other entities that have publicly-traded securities and all banks (in other words, the exemption for listed insurance entities will be removed, but otherwise the scope will be unchanged). Do you agree with this approach or do you believe that, from 2004, the requirements should apply to some other entities (for example, unlisted insurance companies) or, alternatively, to a narrower range of entities?

See our answers to questions ASB (i) and ASB (ii). In our view there is no place for a disclosure standard unless it is IAS 32. As stated above, in the long run, we believe that there should be only two levels of requirements: IFRS and an expanded FRSSE, which would probably omit most, if not all, IAS 32 disclosures. If a large company UK GAAP were to remain in between the FRSSE and IFRS, we would see no merit in having a financial instruments disclosure standard for unquoted companies.

(c) FRS 13's disclosure requirements apply both to çonsoll4ated financial statements and to individual financial statements, except that they do not need to be applied In the individual financial statements of entities that are preparing FRS 13-compliant consolidated financial statements. The FRED proposes to retain a similar exemption. Do you agree with this approach?

Yes. Only consolidated disclosures should be required in group accounts. We believe that IAS 32 should be amended to clarify that where parent only and group accounts are issued, its disclosures apply only to the group.

QUESTIONS POSED BY THE IASB

IAS 32 (i) ***Probabilities of different manners of settlement (paragraphs 19,*** **22, and 22A)Do you agree that the classification of a financial instrument as a liability or as equity in accordance with the substance of the contractual arrangements should be made without regard to probabilities of different manners of settlement? The proposed amendments eliminate the notion in paragraph 22 that an instrument that the issuer is economically compelled to redeem because of a contractually accelerating dividend should be classified as a financial liability. In addition, the proposed amendments require a financial instrument that the issuer could be required to settle by delivering cash or other financial assets, depending on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder of the instrument, to be classified as a financial liability, irrespective of the probability of those events or circumstances occurring (paragraph 22A).**

We dislike the changes that have been made. Although paragraph 18 refers to classifying an instrument in accordance with its substance, paragraphs 1 8-22B as currently drafted apply substance only to the title of the instrument (for example, by treating redeemable preference shares as debt) not to the economic reality of the instrument. We believe that the principle stated in paragraph 18 should be followed, to the effect that contractual arrangements where there is no commercial possibility of a share issue, or alternatively, a cash outflow, should reflect that reality. We comment further on the issue of probabilities in our response to question IAS 39 (ii) below.

We also note that, although the example has been deleted from paragraph 22, the preceding sentence still refers to the establishment of indirect obligations through the terms and conditions of preference share. We are therefore not convinced that economic compulsion has been removed from the standard, and inconsistent interpretations may arise.

IAS 32 (n)***Separation of liability and equity elements (paragraphs 28 and 29)*****—Do you agree that the options in IAS 32 for an issuer to measure the liability element of a compound financial instrument initially either as a residual amount after separating the equity element or based on a relative-fair-value method should be eliminated and, instead, any asset and liability elements should be separated and measured first and then the residual assigned to the equity element?**

Yes.

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IAS32 (iii) ***Classification of derivatives that relate to an entity's own shares (paragraphs 29C 29G)—*** **Do you agree with the guidance proposed about the classification of derivatives that relate to an entity's own shares?**

Yes.

IAS 32 (iv) ***Consolidation of the text in IAS 32 and IAS 39 into one comprehensive Standard—*** Do you believe it would be useful to integrate the text in IAS 32 and IAS 39 into one comprehensive Standard on the accounting for financial instruments? (Although the IASB Board is not proposing such a change in this Exposure Draft, it may consider this possibility in finalising the revised Standards.)

We do not support the consolidation of IAS 32 and 39 into a single standard at this stage. Time would be better spent on making the text of the standards more accessible, in particular IAS 39. See also our other comments on IAS 39 regarding its drafting.

IAS 39(i) Scope: loan commitments (paragraph 1(i))- Do you agree that a loan commitment that cannot be settled net and the entity does not designate as held for trading should be excluded from the scope of IAS 39?

Yes.

IAS 39 (ii) Derecognition: continuing involvement approach (Appendix I, paragraphs 35-57)—Do you agree that the proposed continuing involvement approach should be established as the principle for derecognition of financial assets under IAS 39? If not, what approach would you propose?

No. There may be merit in the continuing involvement approach, but we believe that more work is needed to develop requirements of the quality needed to merit inclusion in a standard. At present, it appears to us that the approach could lead to the recognition of items as assets or liabilities that do not meet the definitions of those terms in the 'Framework'. It is possible to envisage situa4ions where it would be virtually certain that settlement would be at an amount significantly different to that shown in the balance sheet under the proposed treatment.

More work is also needed to establish how the approach could be applied to assets other than financial instruments as we consider it unacceptable to have one approach to derecognition of financial instruments and a different approach to the derecognition of other assets and liabilities. More, and more comprehensible, application examples are also needed. In our view, the text currently in Appendix A paragraphs AS and A9 of the draft revised IAS 39 is extremely difficult to follow in places and should be rewritten.

We are concerned that the IASB's approach to substance, and to derecognition in particular, pays no attention to probabilities. This concern is also reflected in our response to question IAS 32 (i) above. Ignoring probabilities could lead to absurd results through the inclusion in an instrument or a contract of terms which are so unlikely ever to apply that they bear absolutely no relation to economic reality and are, instead, merely a device for altering the presentation of an instrument in the interests of financial engineering. In our view, options or conditions in a contract should generally be disregarded where there is no genuine commercial possibility that they will ever be exercised or arise. An example might be a repurchase term conditional on the FTSE 100 index reaching 10,000 by 1 January 2003.

We also find it strange that the continuing involvement approach appears to give rise to differing treatment of transactions which have exactly the same economic impact. For example, if a company sells a financial asset at fair value with no conditions attached and at the same time, but in a separate transaction, purchases a call option to buy a similar asset in the future, the asset sold would appear to qualify for derecognition. The call option would be a derivative carried at fair value. Exactly the same economic effect could be achieved by transferring the asset for the same amount as previously but with a call option to buy back the asset in future included in the transfer agreement. It appears to us that in the latter case, the transfer would not qualify for derecognition so the accounting from then onwards would not be identical to that in the former case, even though the economic effect would be. If this is indeed the case, it highlights that the continuing involvement approach is not yet sufficiently well developed to progress to a final standard. If our understanding of this situation is incorrect, this is evidence that the text of this part of the draft standard needs, at the very least, to be made more comprehensible.

At present, we are not convinced of the merits of the continuing involvement approach over that currently in the UK standard FRS 5 'Reporting the Substance of Transactions'. We note also that the continuing involvement approach differs from that currently used in US GAAP. We therefore urge the IASB not to implement its proposed approach as part of the current project to improve IAS 32 and 39. Instead, we believe that there should be a project to work towards international convergence on the broader issue of substance and, in particular, derecognition of assets. This should not be confined to financial instruments but should encompass all assets. For example, sale and repurchase arrangements for tangible assets, such as inventory, and consignment inventory arrangements, may give rise to derecognition problems in the absence of a comprehensive standard on derecognition.

IAS 39 (iii) ***Derecognition: pass-through arrangements (Appendix I, paragraph 41)*****—Do you agree that assets transferred under pass-through arrangements where the cash flows are passed through from one entity to another (such as from a special purpose entity to an investor) should qualify for derecognition based on the conditions set out in paragraph 41 of the Exposure Draft?**

Yes.

IAS 39 (iv) ***Measurement: fair value designation (paragraph 10)*****—Do you agree that an entity should be permitted to designate any financial instrument irrevocably at initial recognition as an instrument that is measured at fair value with changes in fair value recognised in profit or loss"**

Yes Though we acknowledge that the IASB's approach may lead to inconsistency of treatment of similar instruments, both within and across entities, we support the proposal as part of a move towards the more general use of fair values for financial instruments. The approach also makes it easier to deal with hedging as gains and losses on the hedging instrument and the hedged item can be taken to the income statement without the need to designate and document the hedge.

We question whether such designation needs to be restricted to the initial recognition of an instrument. For example, if an entity acquires a financial asset which is classified as available for sale, a synthetic redesignation as held for trading could be achieved simply by selling the asset and buying an identical asset which is, on initial recognition, designated as held for trading. We fail to see why an entity should be required to incur a transaction cost on doing so simply because of a prohibition on redesignation. However, we would support a narrower restriction such that once an instrument has been reclassified from one carried at fair value to one carried at amortised cost (using fair value at the date of reclassification as deemed cost) it should not be possible to reclassify it back. This would apply mainly to financial liabilities, given the restrictions on carrying assets at amortised cost.

IAS 39(v) ***Fair value measurement considerations (paragraphs 95— 100D)*****—Do you agree with the requirements about how to determine fair values that have been included in paragraphs 95— 100D of the Exposure Draft? Additional guidance is included in paragraphs A32 A42 of Appendix A. Do you have any suggestions for additional requirements or guidance?**

Yes to the first part of the question and no to the second part.

IAS 39 (vi) ***Collective evaluation of impairment (paragraph 112 and 113-113D)-*** **Do you agree that a loan asset or other financial asset measured at amortised cost that has been individually assessed for impairment and found not to be individually impaired should be included in a group of assets with similar credit risk characteristics that are collectively evaluated for impairment? Do you agree with the methodology for measuring such impairment in paragraphs 113A-113D?**

No. The proposed treatment appears to us to be lopsided as an individually assessed asset is included in a portfolio if found not to be impaired but not included if it is. An asset individually assessed for impairment and found not to be impaired should not cloud the issue of whether an impairment exists in other assets which are assessed on a group basis. Moreover, it appears to us that the inclusion of such an asset in the calculation could actually mask other impairments. Instead, we support the arguments against the proposed approach set out in Appendix C paragraph C73, which we find compelling.

IAS 39 (vii) ***Impairment of investments in available-for-sale financial assets (paragraphs 117— 119)*****—Do you agree that impairment losses for investments in debt and equity instruments that are classified as available for sale should not be reversed?**

No. We see no justification for this proposed restriction and we are not convinced by the explanation in Appendix C paragraph C93 in particular this refers to unspecified "difficulties" which we are unable to see. To us, the proposed treatment seems illogical. If fair value adjustments, up or down, are taken to equity, and if an impairment is taken through the income statement, we see no reason why the treatment of an impairment reversal should not mirror that of the impairment itself. Such an approach would be consistent with that currently adopted in other standards, such as IAS 2, IAS 16 and IAS 38.

We also note that this aspect of the proposed standard may be overtaken by the project on reporting financial performance. This is further evidence that the IASB should not rush to issue a revised IAS 39 only to see further major changes in a year's time when the new performance reporting standard is issued.

We also see no reason for the similar restriction in paragraph 116 for financial assets carried at cost.

IAS 39 (viii) ***Hedges of firm commitments (paragraphs 137 and 140)*****—Do you agree that a hedge of an unrecognised firm commitment (a fair value exposure) should be accounted for as a fair value hedge instead of a cash flow hedge as it is at present?**

We have difficulty in comprehending why firm commitments should be treated as fair value hedges and forecast future transactions as cash flow hedges. What happens when a forecast transaction becomes a firm commitment?

We find the material on hedging particularly difficult to comprehend and recommend that the IASB should go back to the basic principles on which it has based these requirements and rewrite them in terms more likely to be understood by those who will need to apply the standard. We also note that there is evidence that even some very large, multi-national groups regard IAS 39's hedging requirements as being so cumbersome, impenetrable and onerous that they simply choose to ignore them and do not apply hedge accounting at all.

We also believe that there are more fundamental issues regarding the hedging provisions. We are not convinced of the need to treat cash flow hedges in a manner significantly different to that applied to fair value hedges, even where the economic effect is the same. Neither are we convinced that the treatment of hedged items should be altered to follow that of the hedging instrument. Rather, we believe that the reverse approach, whereby the treatment of the hedging instrument follows that of the hedged item, has considerable appeal and should be explored further. For example, a derivative used as a fair value hedge for an instrument carried at amortised cost could still be carried at fair value, but with value changes being taken through equity rather than the income statement. We also suggest that the hedging aspects of the standard should be expressed more in terms of the application of clearly stated principles on which they should be based. In addition, we question the need to restrict hedging instruments, other than for currency risks, to derivatives and the prohibition on hedging interest rate risk for held-to-maturity financial assets.

We also note that the hedging provisions are entirely voluntary, leading to inconsistency of treatment of similar items even within a company, according to whether they are designated as hedges or not, let alone across companies. Although we acknowledge the IASB's pressing need to eradicate the worst excesses of the current version of IAS 39, we are unconvinced that the changes proposed to the hedging requirements will achieve much towards this objective. Instead, we believe that there should be a more fundamental review of whether and, if so, in what form, hedging provisions should be included in the standard.

IAS 39 (ix)*'Basis adjustments' (paragraph 160)*— Do you agree that when a hedged forecast transaction results in an asset or liability, the cumulative gain or loss that had previously been recognised directly in equity should remain in equity and be released from equity consistently with the reporting of gains or losses on the hedged asset or liability?

We prefer basis adjustments to recycling as we believe that the latter is even worse than the former. We therefore propose that the original text in paragraph 160 should be retained. This comment should be considered in the context of our general comments on recycling.

IAS 39(x) *Prior derecognition transactions (paragraph 171B)—Do* you agree that a financial asset that was derecognised under the previous derecognition requirements in IAS 39 should be recognised as a financial asset on transition to the revised Standard if the asset would not have been derecognised under the revised derecognition requirements (ie that prior derecognition transactions should not be grandfathered)? Alternatively, should prior derecognition transactions be grandfathered and disclosure be required of the balances that would have been recognised had the new requirements been applied?

Yes to the first part of the question, provided that this is practicable. No, in principle, to the second part of the question unless restatement is impracticable, in which case such disclosures should be made.

OTHER COMMENTS

Recycling

We do not support the recycling of gains and losses taken directly to equity into the income statement in a later period. We regard gains and losses taken directly to equity to have been recognised at that point and we do not support their subsequent recognition for a second time in the income statement.

In view of the pending proposals on reporting financial performance, and the overriding importance attached to comprehensive income presentation, we believe that the IASB should not finalise a financial instruments standard that would institutionalise recycling while, at the same time, the IASB is deliberating its possible abolition.

Implementation of revised standards

In our view, the revised IAS 32 and IAS 39 should not be implemented until the outcome of the performance reporting project is known, especially the recycling aspect. We consider it extremely unlikely that the revised standards could be implemented for accounting periods commencing on or after 1 January 2003, in view of the ongoing project with FASB in the USA to converge IFRS and US GAAP. We therefore propose that issue of the revised IAS 32 and IAS 39 be delayed until the new performance reporting standard is finalised and that their implementation should coincide with that standard, potentially for accounting periods commencing on or after 1 January 2004, with early implementation being required for both standards if either is adopted early.

Offsetting

The text of IAS 32 paragraph 33 refers to intent. In our view, requirements based on intent should be avoided wherever practicable as they create scope for subjectivity and inconsistent application. We favour the current UK GAAP requirement in FRS ***5*** that offsetting is only possible where it would survive the insolvency of the other party under all circumstances, and we recommend that IAS 32 be amended to include such a requirement. In addition, we note that there appear to be no disclosure requirements relating to offsetting. If the approach to offsetting currently included in the exposure draft is retained, we recommend the inclusion of a requirement to disclose the nature and amounts of assets and liabilities that have been offset.

Equity instruments of subsidiaries in consolidated accounts

Paragraph 17 of the proposed revised IAS 32 does not address the issue of an instrument not held by the parent (and hence, not eliminated on consolidation) which is an equity instrument from the perspective of the subsidiary as an individual company but is nevertheless a financial liability of the group, for example because of guarantees given by the parent. We suggest that the wording be amended to clarify that, on consolidation, such an instrument should be classified as a financial liability.

Wording and terminology

IAS 32

Some of the wording in IAS 32 is loose and we recommend that it be clarified. For example, “provides information” (paragraph 57), “indicates” (paragraph 60), “normally includes” (paragraph 63), “discloses” (paragraph 62). Are these all requirements? It would be helpful to be clearer as to what is required and what is advisory, especially in view of the requirement of IAS 1, paragraph 11, that every requirement of each applicable IFRS must be complied with. In addition, we find paragraph 77B(d) unclear. It would be helpful if the IASB could provide an example of what they are looking for companies to state.

IAS 39

In paragraph 10, we consider that the first sentence of the definition of held for trading financial assets and liabilities is unnecessary and could be deleted.

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In paragraph 23, we suggest that the first sentence should be reworded to read “An embedded derivative shall be accounted for as a derivative under this standard, separately from the host contract, if. This is because an embedded derivative is not separated from the host, but is accounted for separately from the host.

Drafting of IAS 39

Many smaller quoted companies who will need to apply IAS 39 standard in 2005 will find it completely impenetrable. However, it is unlikely that such companies will have the time or the expertise to read, let alone comment, on the IASB's proposals. We therefore speak not only for ourselves but also for our smaller quoted company clients when we say that the text should be rewritten to emphasise the core principles and essential requirements of general application and that all detailed material relating to highly complex and sophisticated instruments which only the largest global enterprises are likely to have to any significant degree should be moved to separate sections, for example to application notes. These could still form part of the text of the standard, and hence be mandatory, but they would need to be read and understood only by those concerned with the most complex instruments. This would avoid the need for everyone else to pick their way through pages of impenetrable gobbledegook in order to sift out the few requirements applicable to them. The IASB has done this to some extent, for example by moving the detailed examples on embedded derivatives to Appendix A. In our view, this approach should be applied more generally.

Presentation of the Exposure Draft

Whilst we acknowledge that, given the nature of the proposed changes to IAS 32 and 39, it is helpful to present marked up text to indicate where those changes have occurred, this nevertheless makes it extremely difficult to read the drafts, especially where entire pages of new text are shaded and underlined. We therefore request that, in future, the IASB should make a clean text copy available through their website. In addition, we see no particular merit in shading changes as well as underlining them or striking through. We suggest using sidelining instead of shading.