

Sir David Tweedie Chairman International Accounting Standards Board 30 Cannon Street London EC4M 6XH



14 April 2009

Dear Sir David

DISCUSSION PAPER; PRELIMINARY VIEWS ON FINANCIAL STATEMENT PRESENTATION

BT Group welcomes the opportunity to comment on the Discussion Paper: Preliminary Views on Financial Statement Presentation. Our responses to the questions raised are set out below.

Chapter 2: Objectives and principles of financial statement presentation

1 Would the **objectives of financial statement presentation** proposed in paragraphs 2.5–2.13 improve the usefulness of the information provided in an entity's financial statements and help users make better decisions in their capacity as capital providers? Why or why not? Should the boards consider any other objectives of financial statement presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.

The objectives of financial statement presentation proposed in paragraph 2.4 of the Discussion Paper (DP) are that information should be presented in financial statements in a manner that :

- (1) portrays a cohesive financial picture of an entity's activities;
- (2) disaggregates information so that it is useful in assessing the amount, timing and uncertainty of an entity's future cash flows;
- (3) helps users to assess an entity's ability to meet its financial commitments as they become due and to invest in business opportunities.

It is acknowledged at the end of paragraph 2.4 that these proposed objectives are not fully consistent with the objectives of financial reporting in the Conceptual Framework Exposure Draft published in May 2008. In particular, we believe it is important that a further objective of stewardship should be considered for inclusion, i.e. how the directors and management have discharged their responsibilities. Including stewardship as an objective would mean that transactions and cash flows are not given less prominence than the balance sheet (statement of financial position) and movements therein.

2 Would the **separation of business activities from financing activities** provide information that is more decision-useful than that provided in the financial statement formats used today (see paragraph 2.19)? Why or why not?

The proposed financial statement presentation model requires an entity to present information about the way it creates value (its business activities) separately from information about the way it funds or finances those business activities (its financing activities). The business category is then further divided between operating and investing activities. The DP proposes that the



classification should be determined by first classifying the asset and liabilities and then applying the same classification to related income, expense and cash flow items. If an entity cannot clearly identify an asset or liability as relating to operating, investing or financing activities, the entity should presume that the asset or liability relates to it operating activities.

We believe that the separation of business activities from financing activities, based on the management approach, would provide information that is decision-useful to users. Even though different companies will allocate different items between the two activities based on their particular business models, it will enable a better understanding of the way that the entity is managed and would seem to be in line with the way that management look at their businesses.

3 Should **equity** be presented as a section separate from the financing section or should it be included as a category in the financing section (see paragraphs 2.19(b), 2.36 and 2.52–2.55)? Why or why not?

The DP proposes a separate equity section which would include items that meet the IFRSs definition of equity. For example, under current IFRSs, the equity section of the statement of financial position would include items such as ordinary or common shares, treasury shares and retained earnings. All cash flows related to equity should be presented in the equity section in the statement of cash flows. All owner changes in equity should be presented in the statement of changes in equity, and all non-owner changes in equity should be presented in the statement of comprehensive income.

We agree with the proposal to present equity as a separate section from the financing section. Transactions and balances with equity holders are different in nature to those who are party to loan and financing arrangements. This approach is also applied in IFRS today and hence is familiar to users and preparers alike.

4 In the proposed presentation model, an entity would present its **discontinued operations** in a separate section (see paragraphs 2.20, 2.37 and 2.71–2.73). Does this presentation provide decision-useful information? Instead of presenting this information in a separate section, should an entity present information about its discontinued operations in the relevant categories (operating, investing, financing assets and financing liabilities)? Why or why not?

The DP proposes that the discontinued operations section should include all assets and liabilities related to a discontinued operation, as that term is defined in IFRSs. All changes in assets and liabilities of a discontinued operation should be presented in the discontinued operations section in the statement of comprehensive income and statement of cash flows.

We agree with presenting discontinued operations as a separate section. Information about the results and cash flow of discontinued operations are usually treated differently from the results of continuing operations because they have different implications for the future cash flows of the business and hence provides decision useful information.

5 The proposed presentation model relies on a **management approach** to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraphs 2.27, 2.34 and 2.39–2.41).

- (a) Would a management approach provide the most useful view of an entity to users of its financial statements?
- (b) Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?

Overall, we think that that an approach based around how the reporting entity organises its activities and uses its assets and liabilities will probably provide the most useful information for users. This is because such an approach will help users to understand an entity's business model which is important in order to enable them to interpret and use the financial statements effectively. However we are aware that for some, the term 'management approach' may indicate a level of flexibility beyond what the boards intend. Our understanding is that it must reflect the entity's business model and is therefore likely to be consistent from period to period and providing comparability within industry sectors and beyond.

However we note that in certain cases the management approach can conflict with the proposed restrictions of a cohesiveness approach based on the categorisation in the balance sheet, as shown in the following examples;

- (1) Currently under IFRSs an entity is required to present its post employment defined benefit plan asset and obligations as a net asset or net liability. That net asset or liability would be classified, in the proposed presentational mode, in the operating category rather than the financing section (because the net post employment asset or liability relates to employee remuneration or compensation and because it is not always a financial asset or liability). Following the cohesiveness principle, an entity should then classify the related post employment benefit expenses, including such items as service cost, interest cost and return on plan assets, and cash flows, in the same category as its net post employment benefit asset or liability i.e. in the operating category. However, in our view the extent to which an entity chooses to fund its post retirement benefit obligations is a financing decision and the interest cost and return on plan asset would appear to be more in the nature of investing or financing items rather than operating items. We believe that the DP should allow (at least in this case) the flows deriving from a single statement of financial position to be classified in different categories.
- (2) The DP also proposes that dividends payable on equity shares should be classified as a financing liability in the statement of financial position and the dividend payments on those shares should be classified in the financing category in the statement of cash flows. Such payments will not however be included in the financing section of the statement of comprehensive income because under IFRSs, distributions to owners are not depicted in comprehensive income, but rather as movements in the statement of changes in equity. We think this is confusing and do not believe that simply because dividends payable are a liability that this categorisation should also be carried into the cash flow statement. We believe dividend payments are transactions with equity holders and hence should be classified within the equity section of the statement of cash flows.

6 Paragraph 2.27 proposes that both assets and liabilities should be presented in the business section and in the financing section of the **statement of financial position**. Would this change in presentation coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities? Why or why not?

The proposals in the DP would result in the separate presentation of net assets for each section in the statement of financial position. The DP also proposes that entities should be required to disclose, either on the face of the statement of financial position or in the notes, the totals of all assets and of all liabilities. This will result in some significant changes to the layout of the statement of financial position because assets of one type will no longer be grouped together and the statement will have more individual line items than under the current model. This could present some challenges for users because they will be used to the current classification on the basis of assets, liabilities and equity, with relatively few sub-totals. However in our view, as long as the totals of all assets and liabilities are also shown on the face, we not believe this is a significant concern.

7 Paragraphs 2.27, 2.76 and 2.77 discuss classification of assets and liabilities by entities that have **more than one reportable segment** for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.

We agree with the proposal, whereby assets and liabilities might be classified differently in different reportable segments. Although it would be simpler to apply an entity level approach – i.e. only one decision needs to be taken for each asset or liability type, applying the classification guidelines at the reportable segment level should give a better representation of the way an asset or liability is used within an entity, as viewed 'through the eyes of management'. In the example cited in paragraph 2.40 in which an entity has financial instruments being used within each of its three reportable segments (e.g., manufacturing, financial services and retail), it would seem to wholly contradict the management approach to classification of assets and liabilities to report these financial instruments on an aggregated basis. We therefore support classification of assets and liabilities at the reportable segment level.

8 The proposed presentation model introduces sections and categories in the statements of financial position, comprehensive income and cash flows. As discussed in paragraph 1.21(c), the boards will need to consider making **consequential amendments to existing segment disclosure requirements** as a result of the proposed classification scheme. For example, the boards may need to clarify which assets should be disclosed by segment: only total assets as required today or assets for each section or category within a section. What, if any, changes in segment disclosures should the boards consider to make segment information more useful in light of the proposed presentation model? Please explain.

Under IFRS 8, segment information must be presented in accordance with the management view. We believe it is important that this principle should be retained and any additional disclosures do not conflict with this view and are only required to the extent the information is already provided to management.

9 Are the **business section** and the **operating and investing categories** within that section defined appropriately (see paragraphs 2.31–2.33 and 2.63–2.67)? Why or why not?

The DP proposals state that:

The business section should include assets and liabilities that management views as part of
its continuing business activities, and changes in those assets and liabilities. Business
activities are those conducted with the intention of creating value, such as producing goods

or providing services. The business section would normally include assets and liabilities that are related to transactions with customers, suppliers and employees (in their capacities as such) because such transactions usually related directly to an entity's value creating activities.

- The operating category within the business section should include assets and liabilities which management views as related to the central purpose(s) for which the entity is in business. An entity uses its operating assets and liabilities in its primary revenue and expense generating activities.
- 3. The investing category within the business section should include business assets and business liabilities, if any, that management views as unrelated to the central purpose for which the entity is in business. An entity may use its investing assets and liabilities to generate a return in the form of interest, dividends or increased market prices but does not use them in its primary revenue and expense generating activities.

These definitions are not particularly precise, but perhaps this is appropriate if viewed in the context of being a high level principle to help preparers understand the core objectives of the presentation model. This, coupled with the DP's fundamental approach, whereby assets and liabilities should be classified in a way that best reflects the way they are used in the business should be sufficient to ensure that there is not too much discretion and inconsistency in practice. We are therefore satisfied with the definitions of the business, operating and investing categories.

10 Are the **financing section** and the **financing assets and financing liabilities categories** within that section defined appropriately (see paragraphs 2.34 and 2.56–2.62)? Should the financing section be restricted to *financial assets* and *financial liabilities* as defined in IFRSs and US GAAP as proposed? Why or why not?

The DP proposes that the financing section should include categories for financing assets and financing liabilities and that financing assets and financing liabilities are financial assets and financial liabilities (as defined in IFRSs) that management view as part of the financing of the business and other activities. Thus not all financial asset and financial liabilities need to be included in financing, but no items that are not financial assets or financial liabilities shall be classified as financing.

We do not believe that restricting the financing section to just financial assets and liabilities is consistent with the management approach to classification and therefore we do not support this proposal.

Chapter 3: Implications of the objectives and principles for each financial statement

- 11 Paragraph 3.2 proposes that an entity should present a **classified statement of financial position** (short-term and long-term subcategories for assets and liabilities) except when a presentation of assets and liabilities in order of liquidity provides information that is more relevant.
- (a) What types of entities would you expect **not** to present a classified statement of financial position? Why?

(b) Should there be more guidance for distinguishing which entities should present a **statement** of financial position in order of liquidity? If so, what additional guidance is needed?

We believe that the guidance provided is sufficient and reflects a continuation of the management approach to allow entities to choose the appropriate classification within this broad guidance, with two caveats.

The DP proposes that definition between short term and long term should be based on a one-year distinction rather than an entity's operating cycle. The one-year time frame should be based on the shorter of (a) the contractual maturity of an asset or liability and (b) its expected realisation or settlement. We believe entities should continue to have the option (as is the case under IAS 1) to use the length of an entity's operating cycle if management believe it provides more useful information.

Another proposal which would represent a change to existing practice is in relation to the classification of deferred tax assets and liabilities. The DP proposes that they should be classified as short term or long term, depending on the classification of the related items. This change would align IFRS with US GAAP. We do not believe that the additional cost of preparing and providing this information can be justified by benefits to users.

12 Paragraph 3.14 proposes that **cash equivalents** should be presented and classified in a manner similar to other short-term investments, not as part of cash. Do you agree? Why or why not?

The DP argues that by excluding cash equivalents from the amount of cash presented in the statement of financial position would better help to achieve the liquidity and financial flexibility objective (in paragraph 2.12). Moreover, investors, creditors and other capital providers who invest in cash in an entity do so expecting to receive a return on, as well as a return of, the cash provided. An entity ordinarily distributes cash – not short term investments considered to be the equivalent of cash – to its capital providers. The same is true for other cash needs, such as paying employees and other suppliers. Although an entity would usually be able to convert cash equivalents to cash quickly to satisfy its cash needs, no short term investment can have all of the characteristics of currency on hand and on-demand deposits.

The boards therefore decided that allowing cash equivalents to be presented differently from cash would be more consistent with the management approach to classification, and it would also help users to assess an entity's liquidity and the amount, timing and uncertainty of its future cash flows.

We agree with this view and therefore support the proposed treatment of cash equivalents.

13 Paragraph 3.19 proposes that an entity should present its similar **assets and liabilities that are measured on different bases** on separate lines in the statement of financial position. Would this disaggregation provide information that is more decision-useful than a presentation that permits line items to include similar assets and liabilities measured on different bases? Why or why not?

We do not believe this proposal will provide additional decision-useful information. Rather, we believe it would make the statement of financial position overly long and will add unnecessary complexity to the financial statements and reduce clarity. In our view, users are more interested

in understanding the transactions/cash flows and other events which are recognised in net income. There are many measurement methods which can be applied to assets and liabilities and these methods are clearly disclosed in an entity's accounting policies and further analysed as necessary in the notes.

14 Should an entity present comprehensive income and its components in a **single statement of comprehensive income** as proposed (see paragraphs 3.24–3.33)? Why or why not? If not, how should they be presented?

We do not agree with the proposal to present comprehensive income and its components in a single statement of comprehensive income. Net income (profit or loss) is an important measure for preparers and users and we do not believe it should become a mere sub-total within a larger statement.

The Boards themselves note in paragraph 3.35 that many of their constituents view profit or loss or net income as useful performance measures and that profit or loss or net income as a sub total or a phrase is deeply ingrained in the economy, business and investors' minds. Users from all sectors incorporate profit or loss or net income in their analyses, either as a starting point for analysis or as the main indicator of an entity's performance.

This statement appears to be at odds with paragraph 3.29 which states that ..."including all income and expense items in a single statement of comprehensive income will make it easier for users to understand and use that information in analyses because they will need to look to only one financial statement. The further comment in paragraph 3.35 that the proposed format of comprehensive income would allow users to become familiar with the notion of comprehensive income, whilst retaining the touchstone of profit or loss or net income does not seem to acknowledge the importance that all users and preparers attach to this measure.

15 Paragraph 3.25 proposes that an entity should indicate the category to which items of **other comprehensive income** relate (except some foreign currency translation adjustments) (see paragraphs 3.37–3.41). Would that information be decision-useful? Why or why not?

We do not see the need to categorise other comprehensive income (and to categorise the recycling out of other comprehensive income). By not requiring such a categorisation for foreign currency adjustments and providing extra guidance for cash flow hedges, and by noting revaluations of available-for-sale securities could impact multiple categories, the proposals already acknowledge some of the complexities involved. We do not believe the information proposed would provide decision useful information.

16 Paragraphs 3.42–3.48 propose that an entity should further **disaggregate** within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses **by their function**, **by their nature**, or **both** if doing so will enhance the usefulness of the information in predicting the entity's future cash flows. Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?

We do not believe there should be further disaggregation in the statement of comprehensive income since it will result in the primary statements becoming excessively detailed. However the proposal that (a) disaggregations by function and nature should be provided "to the extent that it will enhance the usefulness of information in predicting the entity's future cash flows" and (b) if

management thinks the statement of comprehensive income is getting too lengthy and/or too detailed, the disaggregation by nature information be presented in the notes, will help considerably.

17 Paragraph 3.55 proposes that an entity should allocate and present **income taxes** within the statement of comprehensive income in accordance with existing requirements (see paragraphs 3.56–3.62). To which sections and categories, if any, should an entity allocate income taxes in order to provide information that is decision-useful to users? Please explain.

We agree that the existing requirements should remain unchanged in this area. We agree with the statement in paragraph 3.60 that "if the existing income tax allocation process were extended to include some or all of the categories in the proposed presentation model, the arbitrary nature of those allocations would increase. In addition the allocation process would become more complex if an entity had to trace the income tax effects to the operating, investing, financing asset or financing liability transactions."

- 18 Paragraph 3.63 proposes that an entity should present **foreign currency transaction gains and losses**, including the components of any net gain or loss arising on remeasurement into its functional currency, in the same section and category as the assets and liabilities that gave rise to the gains or losses.
- (a) Would this provide decision-useful information to users in their capacity as capital providers? Please explain why or why not and discuss any alternative methods of presenting this Information.
- (b) What costs should the boards consider related to presenting the components of net foreign currency transaction gains or losses for presentation in different sections and categories?

In principle, it would be seem logical that foreign currency transaction gains and losses associated with individual assets and liabilities should be allocated to the same category as the related item(s). However we can envisage significant practical difficulties in determining this allocation, particularly for intercompany balances which might contain both operating and financing, or any other type of balance sheet asset or liability. For this reason, our preference would be that the net foreign currency transaction gain or loss should be included in a single category in the statement of comprehensive income. It is the net foreign exchange exposure that is important rather than the gross.

- 19 Paragraph 3.75 proposes that an entity should use a direct method of presenting cash flows in the statement of cash flows.
- (a) Would a direct method of presenting operating cash flows provide information that is decision-useful?
- (b) Is a direct method more consistent with the proposed cohensiveness and disaggregation objectives (see paragraphs 3.75–3.80) than an indirect method? Why or why not?
- (c) Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?

We do not support the proposal to require the direct method of presenting cash flows and provide the additional information in the proposed reconciliation schedule. This is perhaps the most contentious of all the changes to existing practice in the DP because of its cost, time and effort implications for preparers and we would urge the Board to carry out a full cost/benefits analysis. It is very important that those users who would prefer the direct method on theoretical

grounds understand the full cost implications (see Q20 below). Moreover we have concerns with the assertion that the direct method would provide more decision useful information than the indirect method and we are unaware of a significant demand for change from users of accounts. Most users look for the link between profit or loss and cash flow from operating activities that the indirect method provides.

20 What **costs** should the boards consider related to using a direct method to present operating cash flows (see paragraphs 3.81–3.83)? Please distinguish between one-off or one-time implementation costs and ongoing application costs. How might those costs be reduced without reducing the benefits of presenting operating cash receipts and payments?

The direct method is the one proposal in the DP which has the potential for fundamentally changing the way cash flow data is collected and reported through an organisation – at significant extra cost with no demonstrable added benefit internally.

We agree that an element of the additional costs might be considered one-off but the Board must take into account the time that any change would take to implement (and the preparation of comparative data, for two years for companies such as ourselves which also have US filing requirements). These initial costs would not only be the resources required to rebuild systems from the general ledger upwards but also the consequences for training staff. However the ongoing costs must also not be underestimated – it will increase due to increased volume and complexity of data which must stored but also the impact on additional audit fees and other regulatory compliance requirements.

21 On the basis of the discussion in paragraphs 3.88–3.95, should the **effects of basket transactions** be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows to achieve cohesiveness? If not, in which section or category should those effects be presented?

A basket transaction is a single transaction that involves the acquisition or disposal of a number of assets and/or liabilities that could be classified in more than one section or category. A typical example of this is a business combination on which the acquirer acquires 100 per cent of the equity instruments of the acquiree for cash; the acquiree's asset and liabilities are then consolidated with the existing assets and liabilities of the acquirer. These transactions may also result in income or expense line items and cash receipts or payments.

The DP explains that although the board believe it is appropriate to classify and present the asset and liabilities acquired in a basket transaction in the appropriate sections and categories in the statement of financial position, it is not obvious how the effects of basket transactions should be classified in the statement of comprehensive income and cash flows.

Our view is that this an area where cohesiveness needs to be balanced with the objective of providing users with information that helps them to understand the impact of the basket transaction on the entity's financial information. This would probably mean not allocating basket transactions on the face of the financial statements, but rather in a separate disclosure in the notes to the accounts.

However, with regard to acquisitions, since acquired businesses are often integrated rapidly into existing businesses so that, by the year end, their assets and liabilities are no longer

distinguishable, we believe companies should have the flexibility to present only income statement information, providing sufficient disclosure of the integration is given.

Chapter 4: Notes to financial statements

- 23 Paragraph 4.19 proposes that an entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into four components: cash received or paid other than in transactions with owners, (b) accruals other than remeasurements, (c) remeasurements that are recurring fair value changes or valuation adjustments, and (d) remeasurements that are not recurring fair value changes or valuation adjustments.
- (a) Would the proposed **reconciliation schedule** increase users' understanding of the amount, timing and uncertainty of an entity's future cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule.
- (b) Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19? Please explain your rationale for any component you would either add or omit.
- (c) Is the guidance provided in paragraphs 4.31, 4.41 and 4.44–4.46 clear and sufficient to prepare the reconciliation schedule? If not, please explain how the guidance should be modified.

The proposal in the DP is that an entity should be required to present a schedule in the notes that reconciles the line items in the statement of cash flows to the line items in the statement of comprehensive income and, in doing so, categorises the reconciling items under the headings set out in (a) to (d) of the question.

We do not believe that trying to bring this together in a single reconciliation schedule will add to that understanding. Rather, we believe that the reconciliation schedule will result in a lot of numbers being disclosed, only some of which will be useful enough to justify the resources being spent on them.

For that reason we believe that rather than proceed with the reconciliation schedule proposed, , we suggest that the disclosure should be scaled down and should focus on the more important items. Such a requirement would probably meet the majority of the users information needs without imposing too high a burden on the preparers. As an example, a number of users have told us that they would find a reconciliation of net debt very useful, however the DP does not address this commonly expressed user requirement.

24 Should the boards address further disaggregation of **changes in fair value** in a future project (see paragraphs 4.42 and 4.43)? Why or why not?

No. In view of our response to Q23, we do not see any benefit of considering any further disaggregation of changes in fair value.

25 Should the boards consider other **alternative reconciliation formats** for disaggregating information in the financial statements, such as the statement of financial position reconciliation and the statement of comprehensive income matrix described in Appendix B, paragraphs B10–B22? For example, should entities that primarily manage assets and liabilities rather than cash flows (for example, entities in the financial services industries) be required to use the

statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income? Why or why not?

As we have stated in a number of our responses, we believe the focus should be on net income (profit and loss) rather than the statement of financial position or a single statement of comprehensive income. However we do agree that the objective should be to address users concerns about the co-mingling of gains and losses from fair value measurements and other components of comprehensive income, which results in measures of financial performance that are difficult to analyse. All the various alternative appear to represent significant amounts of disclosure which would involve a substantial amount of work to prepare, without being clear what the objective is in the first place. There appears to be considerable difference of opinion as to what this objective is, hence the very different reconciliations being proposed. — each of which appears to provide a different (but overlapping) set of additional information.

26 The FASB's preliminary view is that a memo column in the reconciliation schedule could provide a way for management to draw users' attention to **unusual or infrequent events or transactions** that are often presented as special items in earnings reports (see paragraphs 4.48–4.52). As noted in paragraph 4.53, the IASB is not supportive of including information in the reconciliation schedule about unusual or infrequent events or transactions.

- (a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not?
- (b) APB Opinion No. 30 Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, contains definitions of unusual and infrequent (repeated in paragraph 4.51). Are those definitions too restrictive? If so, what type of restrictions, if any, should be placed on information presented in this column? (c) Should an entity have the option of presenting the information in narrative format only?

The DP explains that the boards considered whether the reconciliation schedule might provide a way for management to highlight unusual or infrequent events or transactions in their financial statements – items that are often presented as special items in earning reports. In addition, the measurement of some of those less persistent events or transactions might also be more subjective.

For that reason the FASB supports adding a 'memo' column to the reconciliation schedule so that managers can inform users about components within a line item in the reconciliation schedule that are less persistent and more subjective than the rest of the components in that line item. However the IASB does not support including this information because there is no notion of unusual or infrequent events or transactions in IFRSs.

In our view, we believe users would like to have information about events and transactions that are genuinely unusual or infrequent, because it enables them to identify the recurring/sustainable performance and make their own assessments about the future.

However we recognise that the selection of such items for inclusion is judgmental and accordingly clear disclosure of why an item is considered to be unusual will be necessary.

Perhaps the best option is to retain existing practice; there is an existing disclosure requirement for material items of income or expense (IAS 1, paragraph 97) plus requirements in individual standards, which should meet users' needs.

We trust these comments are helpful in contributing to your deliberations.

Yours sincerely

ØLYN/PARR'

DIRECTOR OF GROUP FINANCIAL CONTROL