International Accounting Standards Board  
30 Cannon street  
London  
EC4M 6XH

1 April 2011

Dear Sirs,

Supplement to ED/2009/12 – Financial Instruments: Impairment

Introduction

Barclays is a UK-based financial services group, with a large international presence predominantly in Europe, the USA, Africa and Asia. It is engaged primarily in banking, investment banking and investment management. In terms of market capitalisation, Barclays is one of the largest financial services companies in the world. Barclays has been involved in banking for over 300 years and operates in over 50 countries with more than 156,000 employees.

We are pleased to have an opportunity to comment on the Supplement to ED/2009/12 Financial Instruments: Amortised Cost and Impairment (ED). Our general comments on the approach it proposes are set out below and our responses to the detailed questions posed are set out as an Appendix.

- We strongly support the International Accounting Standards Board’s (IASB or ‘the Board’) efforts to improve and simplify the accounting for financial instruments and convergence with US GAAP;
- We support a principles-based forward-looking impairment approach that allows entities the flexibility to align the proposed model with their internal risk management practices based on expected loss;
- Whilst there are significant implementation challenges associated with the proposed impairment model, we believe that these are surmountable and that, in time, life-time expected credit losses will increasingly be used for internal risk management and other purposes in the banking industry;
- The approach in the Supplement will increase impairment allowances compared to both IAS 39 Financial Instruments: Recognition and Measurement and the original ED, even excluding the ‘foreseeable future loss’ floor;
- Financial reporting is primarily intended as a means for communicating with our investors, and we consider that prudential regulatory policy requirements should be met by other means. Impairment allowances will never accurately predict changes in the economic cycle, let alone unexpected losses. Therefore, accounting impairment allowances should not be increased to meet an objective of creating a ‘buffer’ against
unexpected losses. If such a ‘buffer’ is required for capital adequacy purposes, this should be a matter for prudential regulation in the relevant jurisdiction and suitably disclosed – and not included as an objective for a financial reporting impairment approach;

- We support the use of the time proportionate approach developed by the Board, which reflects much of the work undertaken by the Expert Advisory Panel. However, we do not support inclusion of a floor – and in particular a “foreseeable future loss” floor, which relates primarily to a prudential regulatory objective. Such a floor will be the binding constraint for most short to medium dated portfolios, but it has no logical basis, increases complexity of application and, most importantly, breaks the link between the pricing of credit and expected credit losses. This will not provide useful information to our investors about our performance. In addition, the use of a “foreseeable future” loss floor may result in counter-intuitive results; impairment allowances may actually fall as credit conditions deteriorate due to a reduction in the foreseeable time horizon arising from the absence of supportable information required to substantiate the inputs. It will also penalise those entities that are the most capable of deriving credit loss estimates.

- Although we do not support inclusion of a floor, we understand that for convergence the inclusion of some type of floor mechanism may be a necessary compromise to reflect modelling uncertainty. To that end, and to make the Supplement proposal more operational, we would accept a foreseeable loss floor of 12 months; this would present a less distorted view of our performance to our investors. Furthermore, in some situations a 12-month floor could also be used as a simplified estimation technique for some types of assets; for example, portfolios of revolving credits and similar short-duration assets.

- We note that the disclosures are currently ‘IFRS-only’. We hope that, towards achieving a level playing field, a common set of disclosures are agreed by the Board and the US Financial Accounting Standards Board (FASB) for all companies.

There are a number of issues that the Supplement does not address – including assets that are not held in open portfolios, purchased assets, the methods for measuring credit losses, and how to recognise interest income after impairment. While we understand the reasons for these exclusions, it should be noted that these are important to an understanding of the overall model and how it will be applied in practice. Our comments below should be seen against this backdrop and we look forward to being given the opportunity to comment on these proposals in due course. Overall, however, we support a single impairment model for all assets held at amortised cost.

We trust that the Board will find our comments useful. If you would like to discuss our response in more detail, then please contact Gavin Francis (Gavin.Francis@Barclays.com) or Bill Hayward (William.Hayward@Barclayscapital.com) at 1 Churchill Place London E14 5HP.

Yours faithfully,

Chris Lucas
Group Finance Director
Our response to the detailed questions set out on pages 13 – 19 of the Supplement and pages 61 – 64 of Appendix Z to the Supplement are as follows:

**Question 1**

*Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (i.e. delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?*

As we stated in our response to ED/2009/12 *Financial Instruments: Amortised cost and Impairment* (ED), we are supportive of the Board’s objective of developing an alternative to the incurred loss impairment model for financial assets that uses more forward-looking information about credit losses, based on information used for risk management purposes, and aims to eliminate the delay in recognition of credit losses on financial assets.

The proposed impairment model in the Supplement, for entities using IFRS, would result in earlier recognition of expected credit losses (and larger impairment allowances) compared to both IAS 39 *Financial Instruments: Recognition and Measurement* and the proposals in the original IASB ED, even without the ‘foreseeable future’ floor (the “floor”).

The floor (the immediate recognition of credit losses expected in the foreseeable future), results in earlier recognition of credit losses. However, the floor would substitute “too little too late” with “too much too soon”.

Although the proposed impairment model would result in the earlier recognition of losses, it is not feasible for an impairment allowance based on expected future losses to be the right amount at exactly the right time. No expected loss impairment allowance will ever accurately predict changes in the economic cycle in periods when the economic cycle is changing.

Financial reporting is primarily intended as a means for communicating with our investors, and we consider that prudential regulatory policy requirements should be met by other means. Impairment allowances will never accurately predict changes in the economic cycle, let alone unexpected losses. Therefore, accounting impairment allowances should not be increased to meet an objective of creating a ‘buffer’ against unexpected losses. If such a ‘buffer’ is required for capital adequacy purposes, this should be a matter for prudential regulation in the relevant jurisdiction and suitably disclosed – and not included as an objective for a financial reporting impairment approach.

**Question 2**

*Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not?*

A consistent impairment method should be applied to all financial assets carried at amortised cost. The impairment model should be workable regardless of the level of aggregation at which loss is estimated.

The level of aggregation at which loss estimates are made will vary within and between entities, and will be a function of the internal systems and risk management practice, availability of data and other factors.

In the banking industry, most assets are assessed within a portfolio context because of the statistical benefits in estimation that result. However, expected loss is an accumulation. That is,
expected loss should not change whether considering an individual expected loss, or allocation of an expected loss to an individual loan arising from a portfolio (open or closed) assessment.

Of course, the approach in the Supplement, based on loss predictions for whole asset lives, will require considerable model development and refinements in management estimation techniques. We note that the Board have not yet provided any guidance on how to calculate an expected loss and we believe that the Board should adopt a principles-based approach that is sufficiently flexible to enable entities to make use of the calculations used for risk management purposes. It is likely our approach will based on our current building blocks - Probability of Default (PD), Loss Given Default, and Exposure at default (EAD). However, we do not believe that detailed estimation guidance is either needed, or indeed helpful, in increasing consistency of application.

In summary we agree that the impairment model proposed is at least as operational for closed portfolios and other instruments as it is for open portfolios.

Question 3

Do you agree that for financial assets in the 'good book' it is appropriate to recognise the impairment allowance using the approach described above? Why or why not?

Question 4

Would the proposed approach to determining the impairment allowance on a time-proportionate basis be operational? Why or why not?

Question 5

Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

We agree that for financial assets in the 'good book' the time proportionate approach provides decision useful information; it presents the evolution over time of profits and losses arising from credit decisions, represented by the difference between interest income and the cost of providing credit (in the form of changes in expectations of credit losses). In this regard, it is probably the best available depiction of a 'principal and interest' amortised cost banking model under IFRS 9 Financial Instruments.

We consider that the time proportionate approach is operational for many of our open portfolios. Of course, there will be considerable challenges to overcome, including the availability or accessibility of data, calculation of lifetime expected losses, asset origination dates and lives, and the validation of such data and the verification of management estimates. We believe that these can be overcome over time, given sufficient implementation time.

As a matter of application, the Supplement is unclear about whether the choice to apply a time-proportional amount (discounted or undiscounted) or to use an annuity approach is an accounting policy choice or an accounting estimate, and therefore whether once it has been applied to a particular portfolio, or entity wide, it is an irrevocable choice. The decision to discount or not discount could have a material impact on the level of allowances and the income statement charge from period to period.

However, we do not agree with the inclusion of a “floor” (also refer to comments on Question 9) for reasons including:

- It does not reflect the economics of lending or any risk management practice;
• It severs the link between asset pricing (or yield) and impairment (the cost of credit risk);
• The resulting asset net of impairment does not represent even an approximation of amortised cost. It is therefore contrary to the objective of amortised cost and impairment as set out by the IASB;
• It does not provide useful information to our investors about the performance of our lending decisions and activities; and
• It is incompatible with the expected loss approach (the measurement approach of a loss arising in the "foreseeable future", as defined in the Supplement, is a different measurement approach than that used in an estimation of a lifetime expected loss).

We believe that the inclusion of the floor has resulted from too much focus on the timing of the losses (which cannot be forecast with any accuracy), rather than emphasis on the volatility of loss estimates – which is of significantly greater importance in terms of possible impact on the financial statements.

The inclusion of the foreseeable future loss floor in the eventual standard will result in entities having to perform two calculations to determine whether the time-proportionate amount is higher or lower than the credit losses expected in the foreseeable future. This will significantly add to the operational burdens on banking groups (and in so doing, probably, degrade the overall quality of all of the estimates), who will have to run at least 3 impairment models - given the requirement to also determine 12 month expected loss estimates for regulatory and internal risk management purposes.

**Question 6**

Is the requirement to differentiate between the two groups (i.e. 'good book' and 'bad book') for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

**Question 7**

Is the requirement to differentiate between the two groups (i.e. 'good book' and 'bad book') for the purpose of determining the impairment allowance operation and/or auditable? If not, how could it be made more operational and/or auditable?

**Question 8**

Do you agree with the proposed requirements to differentiate between the two groups (i.e. 'good book' and 'bad book') for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

We are supportive of the distinction between "good books" and "bad books" being based on internal credit risk management policies, as this is aligned to an underlying principle of IFRS 9. Risk management policies differ from entity to entity; however the comparability issues can be mitigated by mandating transparent disclosures.

Setting the threshold at balances that are in recovery may be setting it at too high a level. There are a number of factors to consider in scoping the bad book. The drafting in the Supplement is unclear, and the bad book could be interpreted as being restricted to balances that are in recovery (that is, foreclosure or similar), which would result in a bad book that is significantly narrower in scope than the items for which impairment is recognised in
accordance with IAS 39. This would result in little movement into or out of the bad book, but would make the possibility of 'under-reserving' a real possibility.

If the bad book is considered as being similar in scope to current practice under IAS 39, then this possible 'under-reserving' risk would be less significant (and, arguably, by including more assets in the "bad book", would mean that the distinction between the good and bad book is less important as well). One such approach might be to include a requirement that the "bad book" includes all those assets for which there is objective evidence that the cash flows that were expected on initial recognition may not be recovered in full. This would also enable entities to leverage off their existing systems, but not replicate the problematic recognition triggers that are set out in IAS 39.

The approach should be operational and auditable as it will become embedded, like the current IAS 39 triggers, into an entity's internal operating policies, which are subject to audit and disclosure in the financial statements.

Of course, an important component of the distinction made between the good and bad books is disclosure of management’s approaches (see below).

**Question 9**

The boards are seeking comment with respect to the minimum allowance account (floor) that would be required under this model. Specifically, on the following issues:

(a) Do you agree with the proposal to require a floor for the impairment allowance related to the 'good book'? Why or why not?

(b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the 'good book' only in circumstances in which there is evidence of an early loss pattern?

(c) If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?

(d) For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?

(e) Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.

(f) If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a 'ceiling' should be established for determining the amount of credit impairment to be recognised under the 'floor' requirement (for example, no more than three years after an entity's reporting date)? If so, please provide data and/or reasons to support your response.

**Question 10**

Do you believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

See also our comments to Questions 3, 4, and 5.

We are not supportive of the inclusion of a foreseeable future loss floor as it is not conceptually grounded and undermines the link between the pricing of credit and the cost of the associated
credit risk, and therefore undermines the decision usefulness of the financial statements to our investors.

We do not accept that the term ‘foreseeable future’ is well-defined in the Supplement. It will therefore create diversity in practice, with the attendant risk that the floor is used as a lever by prudential regulators to simply increase allowances with no focus on presenting useful information to investors.

Any floor, but in particular a ‘foreseeable future’ floor, will lead to the recognition of “day 1 losses” for newly originated portfolios and the origination of new assets (should the approach be extended to individual assets). Such losses, depending on the look-forward period, could be significant. A floor also underestimates (overestimates) the net return on new/(older) assets in an open portfolio. Furthermore, it is not a measure that is used for either risk management or performance measurement purposes.

An entity’s view of the ‘foreseeable future’ will change – and result in counterintuitive effects. Based on the definition in the Supplement, as credit conditions deteriorate, ability to meet the criteria set out in the Supplement will decrease, resulting in a decrease of the time horizon and therefore, the credit losses eligible for recognition. Just when allowances should be increasing, they could decrease. Therefore, the foreseeable future floor will cease to achieve the purpose for which it has been put in place.

Through the EAP and other outreach activities with the IASB in which we have been involved, we are aware that the IASB has seen numerous examples illustrating that the “floor” would be the binding constraint for most portfolios. This will be true for most short and many medium-life portfolios and during the early years of new portfolios which constitute the larger part of most banks’ loan books. The longer the foreseeable future period is as a proportion of the expected life of a portfolio, the more likely it is that the floor would become the binding constraint. In such situations, the time proportionate amount becomes irrelevant, and yet entities would have to continue to put significant effort into calculating that amount, not least, for the purposes of the proposed disclosures. Furthermore, in such situations, the impairment requirements will cease to provide any useful performance information to investors.

However, we understand that, for convergence, the inclusion of some type of floor mechanism may be a necessary compromise.

To that end, and to make the Supplement proposal more practical and more operational, we suggest that a floor of 12 months is included as part of the final requirements, to reflect modelling uncertainty.

Such an approach would align the calculation of accounting impairment allowances to information and metrics that are already available. Barclays along with many European Banks has considerable experience of deriving 12 month expected losses, and has in place systems to generate these estimates for internal risk management purposes or regulatory purposes, which is subject to back testing. Such an approach would also result in more useful information to our investors as a 12 month floor would not affect the impairments recognised for many longer-dated portfolios, for which investors are especially interested to understand the interaction of credit risk as it evolves and the pricing of that credit.

There are also some portfolios however where a 12 month loss floor may be a practical solution. For example, the application of the approach to revolving credits – for example credit cards or overdrafts where the date of origination for the asset at the balance sheet date and its estimated life will lead to a high level of estimation. It would be simpler and more operational to specify that the impairment allowance on these portfolios is calculated on a 12 month expected loss approach, as a necessary simplification. We would therefore support, as a
practical approximation, the use of a 12 month expected loss for such portfolios and for smaller portfolios where the measure represents a materially correct approximation to the time proportionate approach.

**Question 11**

*The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:*

(a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the approach described in paragraph B8(a)? Why or why not?

(b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?

We consider that discounting, reflecting risk and the time value of money, is the best approach, wherever possible. Not including the effects of the time value of money does not reflect economic reality. Discounting is also consistent with the IFRS generally.

We also consider, from the same standpoint, that the effective interest rate is the most appropriate discount rate to use, because this is the most consistent with the objective of amortised cost and impairment.

However, as with the application of the effective interest to financial assets held at amortised cost, a degree of approximation and estimation may be required in practice. We consider that this should be expressly permitted by the eventual standard. Further, discounting, or some approximation thereto, should be required unless the effects of discounting are immaterial.

**Question 12**

Would you prefer the IASB approach for open portfolios of financial assets measured at amortised cost to the common proposal in this document? Why or why not? If you would not prefer this specific IASB approach, do you prefer the general concept of the IASB approach (i.e. to recognise expected credit losses over the life of the assets)? Why or why not?

We understand the IASB approach referred to above excludes the foreseeable loss floor. If the IASB approach is without the floor, we strongly support it as it maintains the link between pricing and the cost of credit risk with no “day 1 loss” effect.

As noted above, the floor adds considerable operational complexity – in particular, the need to perform two onerous calculations to establish which approach gives the higher result.

We would, however, see the facility in allowing the use of a 12 month expected loss allowance where this a practical expedient for portfolios of revolving credits or short lived portfolios.

Also, as noted previously, we understand that to achieve convergence, the inclusion of some type of floor mechanism may be necessary. To that end, and to make the Supplement’s proposal more practical and more operational, we accept in the spirit of convergence and practical expediency that a floor of 12 months is included as part of the final requirements.

Such an approach would align the calculation of accounting impairment allowances to information and metrics that are already available. Barclays, along with many European Banks has considerable experience of deriving expected loss estimates for a 12 month period, and has in place systems to generate these estimates for internal risk management purposes or regulatory purposes, which is subject to back testing. Such an approach would also result in
more useful information to our investors as a 12 month floor would not affect the impairments recognised for many longer-dated portfolios, for which investors are especially interested to understand the interaction of credit risk as it evolves and the pricing of that credit.

**Question 13**

Would you prefer the FASB approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific FASB approach, do you prefer the general concept of this FASB approach (i.e. to recognise currently credit losses expected to occur in the foreseeable future)? Why or why not?

We are not supportive of this approach.

We do not accept that the term 'foreseeable future' is well-defined in the Supplement. It will therefore create diversity in practice, with the attendant risk that the 'foreseeable future' is defined by prudential regulators to simply increase allowances with no focus on presenting useful information to investors.

A 'foreseeable future' model provides no link between the pricing of financial assets and the expected credit losses. It also introduces the possibility of day 1 losses for newly originated portfolios and the origination of new assets (should the approach be extended to individual assets), which, depending on the look-forward period, could be significant. This essentially means that such an approach could never be used for individual assets, resulting in the need for multiple impairment models with the attendant complexity and a corresponding reduction in understandable information for investors. Furthermore, it is not a measure that is used for either risk management or performance measurement purposes.

The length of the 'foreseeable future' will change through time – and result in counterintuitive effects. Based on the definition in the Supplement, as credit conditions deteriorate the ability to meet the criteria set out in the Supplement will decrease resulting in a decrease of the time horizon. That is, just when allowances should be increasing, the foreseeable future period will decrease resulting in lower loss allowances.

**Question 14Z**

Do you agree that the determination of the effective interest rate should be separate from the consideration of expected losses, as opposed to the original IASB proposal, which incorporated expected credit losses in the calculation of the effective interest rate? Why or why not?

As stated in our response to the IASB ED, we believe that the effective interest rate should remain as currently defined in IAS 39 and should not be adjusted to reflect the spreading of initial expected credit losses.
Question 15Z

Should all loan commitments that are not accounted for at fair value through profit or loss (whether within the scope of IAS 39 and IFRS 9 or IAS 37) be subject to the impairment requirements proposed in the supplementary document? Why or why not?

Question 16Z

Would the proposed requirements be operational if applied to loan commitments and financial guarantee contracts? Why or why not?

Widespread current practice for loan commitments and guarantees falling into the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets is to apply the IAS 39 impairment model.

We support one impairment model for on- and off- balance sheet credit exposures that are held in a traditional banking business model and which are not accounted for at fair value through profit or loss. This will include a level of estimation, for most entities, probably based on current Basel II Regulatory parameters.

Question 17Z

Do you agree with the proposed presentation requirements? If not, what presentation would you prefer instead and why?

We agree with the proposed presentation requirements, in particular the separate presentation of impairment and interest income.

Question 18Z

(a) Do you agree with the proposed disclosure requirements? If not, which disclosure requirements do you disagree with and why?
(b) What other disclosures would you prefer (whether in addition to or instead of the proposed disclosures) for the proposed impairment model and why?

We note that the disclosures are currently 'IFRS-only'. We hope that, towards achieving a level playing field, that a common set of disclosures are agreed by the Boards for all entities.

We believe that the final disclosure requirements should link in with the general principles of IFRS 7 Financial Instruments: Disclosures and before finalising the Board needs to ensure that there is no duplication with existing disclosures. We also note that the disclosure of 'nominal amounts' are required. This would not sit easily within the context of IFRS 9 Financial Instruments or IFRS 7 and we suggest that this is replaced with 'amortised cost, before impairment allowance'.

In addition, we see no evidence of the Board leveraging from the disclosures required by Basel II, Pillar 3. In discussions of the Expert Advisory Panel, the Importance of using existing disclosures about credit risk was highlighted as being important in easing the operational burden on preparers, as well as preventing information overload for our investors.
Some disclosures are not very well specified in the current draft – for example, it is not clear what is meant by paragraph Z11“...quantitative and qualitative analyses of significant positive or negative effects on impairment losses caused by a particular portfolio”.

It is difficult to see how the disclosures required by paragraph Z12 on back testing, requiring a comparison between estimates and actual out-turn on credit losses will result in meaningful information. Recovery of an asset can take significant time. We also do not agree with the requirement to provide the specific disclosures on back-testing, should this be carried out by the entity. Overall the standard would probably disincentive entities from performing back testing, which is probably not an intended outcome. A more useful approach would be to include a requirement for calibration of forecast to actual loss experience as part of the measurement process, and then require an entity to describe the calibration approach taken and any significant issues that arose.

It is unlikely that, given the level of estimation, that actual losses following a transfer to recovery, possibly in a different part of the economic cycle, will be the same as losses estimated on the good book. We agree that it may be useful for a reader to understand how accurate past estimates are, but consider that this would be better achieved through disclosure of the components of the calculations used by the entity - such as probability of default, collateral and severity rates, supported by the economic assumptions management have made about the economic outlook, and whereabout in the cycle they consider the entity to be at the period end, along with the likely impact on portfolios and geographies in which the entity has exposures.

Overall, the disclosures are essentially for both a foreseeable future loss model and the time proportionate approach, requiring disclosures of both amounts or the differences between the two – the general approach appears to be to enable investors to some extent, to undo the financial statement allowances and to include which of the 2 approaches that they prefer. The result is confusing and complex.

Consistent with our earlier comments on the ‘foreseeable future’ floor, we do not believe that disclosures on foreseeable future to be useful or to permit comparisons between entities. They do not reflect useful economic data, or any measure used for pricing credit or risk management purposes.

Providing 5 years’ (current year and 4 years’ comparative) information would not be practical upon initial adoption, and transitional relief would be required to enable entities to build up the information from the date of initial adoption.

**Question 192**

*Do you agree with the proposal to transfer an amount of the related allowance reflecting the age of the financial asset when transferring financial assets between the two groups? Why or why not? If not, would you instead prefer to transfer all or none of the expected credit loss of the financial asset?*

We do not believe that it is necessary to mandate transfers between the two groups, as it has no impact on the recognised overall impairment allowance. It is unlikely that we will track the allowance attaching to individual balances. Therefore any such transfer disclosed is likely to be an apportioned amount and have limited information content.

It is actually doubtful that any amounts will be transferred between the allowances. When a loan is transferred out of the “Good Book” the level of the good book on which the impairment allowance is based, will naturally fall, leading to a credit in the income statement. When an allowance is re-computed, based on lifetime expected loss, on an asset in the “Bad Book” the
provision the income statement will be charged in full. In the income statement, a cumulative catch up will be recognised based on the difference between the release and the charge. Once investors have an appreciation of the mechanics, there is no need to disclose the purported 'transfers'.