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D P Tweedie, Esq
Chairman
International Accounting Standards Board
1st Floor
30, Cannon Street
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9 September 2002

Dear David,

IAS 10 - Events after the balance sheet date

I hope you will not mind my sending to you a copy of my firm's submission to the ASB on FRED 27, the proposals of which are aimed at aligning UK practice with International practice as set out in IAS 10 (as revised by the current 'improvements' project).

My submission should speak for itself and I will not repeat anything here save to say that my experience in the UK life assurance industry shows that the issue which is of concern to me has very real implications for life assurance groups and indeed for groups generally. I hope you will therefore be sympathetic to my seeking an appropriate solution (in IAS 10 as well as FRED 27) to this issue which I would hope can be accommodated somehow without particularly disturbing your underlying principles.

I trust that you are keeping fit and well. With kind regards,

Yours sincerely,

Ray Alexander

Ray Alexander
Partner

Copy: Marie-Christine Batt, IASB

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H. Nailor, Esq
Accounting Standards Board
Holborn Hall
100 Gray's Inn Road
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9 September 2002

Dear Hans,

FRED 27

The Accounting Standards Board has invited comments on its proposals set out in FRED 27 - Events after the Balance Sheet Date - which was issued earlier this year.

Our principal comment relates to the impact that the proposals to change the accounting treatment of dividends will have on the distributable reserves - and hence dividend paying ability - of group holding companies. Under the proposals it will no longer be possible for intra-group dividends declared by subsidiary companies after the balance sheet date to be recognised in the financial statements for that period thereby boosting the distributable reserves and dividend potential of companies that are higher up the chain. The distributable reserves of ultimate holding companies at theft balance sheet dates will therefore, generally, be reduced and in some instances they may not be able to maintain their existing external shareholder dividend levels, notwithstanding sufficient distributable reserves being held by their subsidiaries.

Groups that are organised in several tiers will suffer longer delays in passing up theft distributable reserves to their ultimate holding companies due to the need to prepare multiple accounts over art extended time period. Life assurance groups will experience even further delays as the transfer of realised profits ('surplus') from the long term fund to the shareholders' fund usually takes place just once a year, normally during the first few months of the subsequent financial year.

Whilst there are mechanisms available which may help mitigate the effect for some groups (e.g. using interim or management accounts to facilitate interim dividend declarations, utilising group relief and introducing flatter group structures) in our view these will help to a limited extent only.

We see no logical reason for holding companies to be denied access to the distributable reserves of theft subsidiaries and to thus be disadvantaged in comparison with a single company structure. Most UK listed companies and many other companies conduct their operations through a series of subsidiary companies, very often as a result of legislative and regulatory requirements rather than through theft own choosing. It seems wrong that they should be penalised for this.

We strongly believe that the Accounting Standards Board should re-visit the proposed treatment of dividends with a view to reversing the effect the proposals will have on intra-group dividends and thus the realised reserves of holding companies.

One approach for achieving this quite simply would be for intra-group dividends declared in respect of a particular financial period to be treated as constructive obligations and therefore adjusting events by both the paying and receiving companies. An alternative approach would be for dividends declared by directors (i.e. interim but not final dividends) to be treated as adjusting events. A third possibility might be to permit holding companies that revalue their interests in theft subsidiaries to treat that part of the revaluation reserve equivalent to the distributable reserves of their subsidiaries as realised. We believe that all of these merit consideration.

We would be grateful if you would request the IASB to review this when finalising the revised IAS 10.

Yours sincerely,

Ray Alexander
Partner