

The Hundred Group
of Finance Directors

Financial Reporting Committee

Gavin Francis
Director of Capital Markets
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

3 September 2009

Dear Mr Francis,

Proposed Amendment to IAS32 – Classification of Rights Issues

We are pleased to submit our comments on the above proposals.

Who we are

The Hundred Group represents the views of the finance directors of the UK's largest companies drawn largely, but not entirely, from the constituents of the FTSE100 Index. Our members are the finance directors of companies whose market capitalisation collectively represents over 80% of that of companies listed on the London Stock Exchange. Whilst this letter expresses the views of The Hundred Group of Finance Directors as a whole, they are not necessarily those of our individual members or their respective employers.

Our comments

It is proposed that IAS32 is amended to specify that a rights issue offered pro-rata to all of an entity's existing shareholders on the exercise of which the entity will receive a fixed amount of cash for a fixed number of shares is classified as an equity instrument regardless of the currency in which the exercise price is denominated.

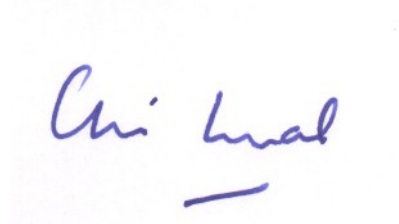
We welcome the proposals but question why they are limited to rights issues and are not extended to other equity items in similar circumstances.

In the Basis for Conclusions, the Board recalls IFRIC's deliberations back in 2005 on the classification of the equity conversion option embedded in a convertible bond denominated in a foreign currency (this applies equally to convertible preference shares denominated in a foreign currency). IFRIC concluded at that time that if the conversion option was denominated in a currency other than the entity's functional currency, the amount of cash to be received in the functional currency would be variable and that therefore the conversion option could not be considered to be equity. We fail to see the distinction between the interpretation of a fixed amount of cash for a fixed amount of shares in the case of the rights issue compared with the conversion option.

We therefore recommend that the amendment is extended to all instruments or components of instruments that would be classified as equity under IAS32 but for the fact that they are denominated in a currency other than the entity's functional currency. We believe that this treatment would ensure faithful representation of the economic substance of the underlying equity components.

Please feel free to contact me if you wish to discuss our comments on the proposals.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Chris Lucas", with a horizontal line underneath the name.

Chris Lucas
Chairman
The Hundred Group - Financial Reporting Committee