International Accounting Standards Board
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Via email: commentletters@ifrs.org

24th October 2017

Dear members of the IASB

Discussion Paper: Disclosure Initiative – Principles of Disclosure

The Corporate Reporting Users' Forum welcomes the opportunity to comment on the Discussion Paper *Disclosure Initiative – Principles of Disclosure* (the "DP"), issued by the International Accounting Standards Board (IASB) in March 2017.

We support the direction of the Board's preliminary views in the DP, with some additional views.

Our specific responses to the questions in the discussion paper are set out below. We also include CRUF's Guiding Principles as an appendix to this letter. These principles reiterate that as users of corporate reports, we want transparent and comprehensive disclosures, and believe that corporate reports should be prepared with the objective of providing a fundamental source of information for investors and creditors on which to base their decisions. We are as concerned by gaps in company disclosures as by too much disclosure, but look to the IASB's project to help achieve a more adequate balance that provides necessary information which facilitates comparison of investment opportunities.

Question 1
Paragraphs 1.5–1.8 describe the disclosure problem and provide an explanation of its causes.
(a) Do you agree with this description of the disclosure problem and its causes? Why or why not? Do you think there are other factors contributing to the disclosure problem?
(b) Do you agree that the development of disclosure principles in a general disclosure standard (ie either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?

We agree with the Board's observation of the disclosure problem and its causes, such as "not enough relevant financial information", "irrelevant information" and "ineffective communication of information provided".

We would like to share our thoughts on the above-mentioned disclosure problem and, in some cases, our suggestions for solving the problem.

We think that the disclosure problem is attributable in part to the current absence of a specific disclosure standard or guidance. Some participants expect that publishing guidance would greatly contribute to improving the comparability of performance measures among entities. See our response to Question 3 below.

Furthermore, we believe that a part of the above-mentioned disclosure problem has stemmed from insufficient attention being paid to the diverse needs of users. An example of our concern is that the emphasis on needs of equity analysts unduly outweighs those of credit analysts in setting a disclosure standard and whilst disclosure overload should be prevented, it is worth highlighting the importance of credit specific disclosures which also become highly relevant for equity holders in the event of distress, or where strategic flexibility is of importance, e.g. for a highly acquisitive business, indicating the importance for all stakeholders.

Lastly, we believe that developing the disclosure principles, together with amendments to IAS 1, would contribute to the improvement of the disclosure. Having said that, we think some elements of the DP proposals should be dealt with in the Conceptual Framework.

Question 2
Are there any other disclosure issues that the Board has not identified in this Discussion Paper that you think should be addressed as part of this Principles of Disclosure project? What are they and why do you think they should be addressed?

Our chief concerns relate to the topic of non-IFRS information being disclosed with appropriate checks and balances. Our comments on this topic have been included in our answer to Question 6.

It is also worth noting that some CRUF participants are concerned with the lack of granularity and explanations around complex transactions (e.g. acquisitions with significant amounts of contingent consideration), which companies are more commonly entering into. It would be beneficial to know the impact of single major transactions on the specific line items in the financial statements, including the split between the charge to expenses for the amounts paid and the amounts related to the unwind of the discount rate. This would help users better interpret the information for their analysis and forecasting.

Question 3
The Board's preliminary view is that a set of principles of effective communication that entities should apply when preparing the financial statements as described in paragraph 2.6 should be developed. The Board has not reached a view on whether the principles of effective communication should be prescribed in a general disclosure standard or described in non-mandatory guidance. The Board is also of the preliminary view that it should develop non-mandatory guidance on the use of formatting in the financial statements that builds on the guidance outlined in paragraphs 2.20–2.22.
(a) Do you agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not?
(b) Do you agree with the principles listed in paragraph 2.6? Why or why not? If not, what alternative(s) do you suggest, and why?
(c) Do you think that principles of effective communication that entities should apply when preparing the financial statements should be prescribed in a general disclosure standard or issued as non-mandatory guidance?
(d) Do you think that non-mandatory guidance on the use of formatting in the financial

statements should be developed? Why or why not?

If you support the issuance of non-mandatory guidance in Question 3(c) and/or (d), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)–(c)) and give your reasoning.

In essence, we all agree with the Board's view on the need for some kind of discipline to ensure better, more effective communication. However, in detail, our opinions are divided in this regard as follows:

Some participants are against creating a standard for effective communication, arguing that the nature of principles makes them not suitable for a standard because they would be too prescriptive. They think the description on what makes "effective" communication should be incorporated into the Conceptual Framework. Furthermore, they think that it would be very difficult to give assurance about whether or not the financial statements meet a standard for "effective" communication.

Other participants think that a mandatory standard on effective communication should be developed, because they expect that a mandatory standard would enhance the comparability of the information across entities, while still allowing disclosure of entity-specific information. In addition, they stress the importance of avoiding boilerplate descriptions. However, some CRUF participants would like to comment that comparability across reporting periods generally is of even greater importance than comparability across entities.

In respect of non-mandatory guidance for formatting, some participants think that this may be helpful to preparers by highlighting selected best practices.

Question 4

The Board's preliminary views are that a general disclosure standard should:

- **specify that the 'primary financial statements' are the statements of financial position, financial performance, changes in equity and cash flows;**
- **describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24;**
- **describe the role of the notes as set out in paragraph 3.28, as well as provide examples of further explanatory and supplementary information, as referred to in paragraphs 3.26–3.27; and**
- **include the guidance on the content of the notes proposed in paragraphs 7.3–7.7 of the Conceptual Framework Exposure Draft, as described in paragraph 3.7.**
- **In addition, the Board's preliminary views are that:**
- **it should not prescribe the meaning of 'present' as presented in the primary financial statements and the meaning of 'disclose' as disclosed in the notes; and**
- **if it uses the terms 'present' and 'disclose' when describing where to provide information in the financial statements when subsequently drafting IFRS Standards, it should also specify the intended location as either 'in the primary financial statements' or in the notes.**

Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

The CRUF very much favours the presentation of financial statements comprising a complete set of statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows.

We agree with the Board's view presented in paragraph 3.23, because we believe that the cash flow analysis is fundamentally important for users and information that allows us to do that should be a part of the primary financial statements. The cash position represents the integrated picture of the entity's cash generating and cash consuming operations, together with the liquidity position. Considering the above mentioned characteristics of the cash flow statement, analyses of free cash flow and operating cash flow are very important for many users. We would also highlight that CRUF has frequently requested better clarity around "net debt" or "net financial position". This can be defined by the company and could be a non-IFRS measure included in the primary financial statements with appropriate reconciliations and consistency from year to year, together with economic justification for this measure being the best measure for the entity.

We share the concern of the Board stated in paragraph 3.17 and believe that a clear statement that the term "primary" does not intend that the notes are inferior or secondary, is very important.

From the point of view of timely disclosure, we think that the set of primary statements plays an important role. Meanwhile, from the point of view of performing in-depth analyses, many of us find that the operating segment information presented in notes is of more value than the primary statements. We would recommend the operating segment information to be included in the list of primary financial statements, if there is a risk that notes are viewed as inferior to the primary financial statements. We have separately commented to the IASB on the weaknesses in the current segmental disclosure in our letter on improvements to IFRS 8 in August 2017.

Question 5
The Board's preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)–(c).

(a) Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?
(b) Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would those scenarios meet the criteria in paragraphs 4.9(a)–(c)?

The CRUF agrees that "including by reference" can help reduce duplication of information and enhance the readability of the annual reporting package. The IASB should help safeguard that the information included by reference into the financial report should still be subject to the audit of the financial statements and it needs to be crystal clear which information included elsewhere in the annual reporting package benefited from assurance. This transparency should be a condition for allowing "including by reference". We prefer an approach where the Board identifies which disclosures are eligible for being included by reference in the financial report. Although it may be difficult to enforce the principle that cross-referencing is allowed only "if it makes the annual report as a whole more understandable", it is a clear guiding principle, which is better than no principle. On the definition of “cross-referencing”, the Board may want to explain whether, and if so how, “cross-referencing” differs from “including by reference”.

We also very much welcome initiatives promoting the linkage between related pieces of information in different parts of the annual report, which includes the financial statements, to the extent that it improves the communication with users. We often find voluntary disclosures, together with cross-references to the financial statements, to be very useful. Detailed segment information in the narrative part of the annual report, in addition to the segments note, is also very useful.

On the other hand, if cross-referencing led to relevant information getting buried among other information, then it would be unwelcome. We are also cautious about any kind of disincentive for entities to provide useful voluntary disclosures through their annual reporting packages.

Question 6

The Board’s preliminary view is that a general disclosure standard:

- **should not prohibit an entity from including information in its financial statements that it has identified as ‘non-IFRS information’, or by a similar labelling, to distinguish it from information necessary to comply with IFRS Standards; but**
- **should include requirements about how an entity provides such information as described in paragraphs 4.38(a)–(c).**

Do you agree with the Board’s preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

The CRUF believes that non-IFRS information should be allowed in the financial statements with appropriate labels, as long as it does not cloud IFRS information. However, we do not believe that it is enough to simply define the measure and apply it consistently from year to year. It is perhaps more important to explain why this measure is relevant for understanding the performance of the business and, therefore, inclusion in the financial statements. Overall, CRUF participants agree that boards should be required to justify all adjusted measures of profit, not simply define and reconcile to an IFRS based number.

This brings us back to the necessity of preventing a clouding of essential information by cluttering the reporting with irrelevant information. However, many alternative performance measures, including those which some may consider controversial, are very useful to the analysis of a company and should not be suppressed or restricted.

Question 7

The Board did not discuss whether any specific information—for example, information that is inconsistent with IFRS Standards—should be required to be identified as described in paragraphs 4.38(a)–(c) or should be prohibited from being included in the financial statements. Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?

As noted in our response to Question 6, any measure which has not been appropriately explained as being a meaningful and relevant measure of performance should not be included in the financial statements. Information and presentation methods that are misleading or that obscure IFRS information should be prohibited. If they want to, management are able to include performance measures in their reporting and communications outside the financial statements.

Question 8

The Boards preliminary views are that it should:

- **clarify that the following subtotals in the statement(s) of financial performance comply with IFRS Standards if such subtotals are presented in accordance with paragraphs 85–85B of IAS 1:**
- **the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and**
- **the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.**
- **develop definitions of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26–5.28.**

(a) Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what alternative action do you suggest, and why?

(b) Should the Board prohibit the use of other terms to describe unusual and infrequently occurring items, for example, those discussed in paragraph 5.27?

(c) Are there any other issues or requirements that the Board should consider in addition to those stated in paragraph 5.28 when developing requirements for the presentation of unusual or infrequently occurring items in the statement(s) of financial performance?

The feedback on Question 8 will be considered as part of the Board's Primary Financial Statements project.

Most CRUF participants are in support of a prescribed definition of EBIT, and consider this to be feasible and desirable. We partly support the preliminary view of the Board. We agree with the approach to set a standard allowing an EBIT subtotal under both a "nature of expense" and a "function of expense" method. Having said that, our opinions are not in line with the Board's preliminary view regarding the following:

1. We do not welcome a standard which allows an EBITDA subtotal only under "nature of expense" method. Rather, we would like a standard to clearly state that the disclosure of EBITDA subtotal is allowed not only under "nature of expense" method but also under a "function of expense" method. In our analyses, the EBITDA subtotal is widely used and our practice is open to both the usage of "function of expense" method and "nature of expense" method.

2. We would like the Board to consider a standard which clearly defines the calculation methods of EBITDA and EBIT, given the fact that the calculation methods of EBITDA and EBIT vary across entities. For instance, the treatment of items such as "interest", and "equity in income of associates" should be clarified in association with EBITDA and EBIT calculations. Overall, CRUF participants prefer that neither measure should include interest or share of earnings from entities accounted for using the equity method. However, it is worth noting there are some participants who consider the share of profit/loss from associates or joint ventures to be closely linked to the operations of certain companies' business models, and take the view that they should therefore be considered as part of "operating profit".

3. We are disappointed that the mandatory disclosure of the 'operating profit' is not stipulated within the DP and that "operating profit" is not defined. Due to the lack of the mandatory disclosure of a clearly defined "operating profit", it is very difficult for users to make comparisons across entities or between reporting periods. Meanwhile, we would welcome the disclosure of an entity-specific "operating profit", together with mandatory "operating profit" using the method set by a standard. We believe that flexibility given to the entities in defining the entity-specific "operating profit" allows entities to disclose the relevant information specific to each entity, while a mandatory "operating profit" based on a standardised method is very much appreciated for a benefit of comparability. We recognise that definitions for this will not be readily possible for banks and insurance companies but we would prefer to grant business model-based exceptions to this requirement rather than not having consistency for the vast majority of businesses.

We strongly support the approach to define "unusual and infrequently occurring items". When entities use their own definition for 'unusual and infrequently occurring items' such information could be misleading for users. We believe that it is appropriate to highlight the 'non-recurring items' for the sake of providing relevant information. We are very interested in a performance measure which represents the sustainable operations of an entity. For instance, we think that a performance measure associated with the sustainable, ongoing operations of an entity should exclude gains or losses on sales of securities and real estate. Some CRUF participants are concerned about the feasibility and challenges in determining what is recurring vs non-recurring.

We find the performance measures excluding unusual items very useful. As a reference, Japan CRUF would like to point out that Japanese GAAP defines "extraordinary gains or losses" as gains or losses from non-regular transactions. It works well in practice and is consistently applied among entities, which is very useful for comparing the information across entities.

We believe that extra care is required in setting a standard referring to "unusual and infrequently occurring items" to avoid any kind of confusion. We are cautious about the confusion that may arise because similar words are used already in various contexts.

Question 9

The Board's preliminary view is that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34. Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative action do you suggest, and why?

We agree with the proposal to clarify how performance measures can be fairly presented. However, as mentioned above, we would like the IASB to clarify a definition or a nature of "operating profit" first before prescribing many conditions about how to present performance measures. This is because "operating profit" is used quite commonly in reporting and varies among entities; this is very misleading for users. Although setting a rule for how to define and present "operating profit" may be a solution to the misleading presentation issues, we believe companies should be required to disclose "operating profit". If the Board introduces a requirement only about how to disclose "operating profit", without requiring its disclosure, entities may not disclose an 'operating profit' subtotal to avoid meeting the new requirements, which we think is undesirable.

Question 10
The Board's preliminary views are that:

● a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16; and

● the following guidance on the location of accounting policy disclosures should be included either in a general disclosure standard or in non-mandatory guidance (or in a combination of both):

> **● the alternatives for locating accounting policy disclosures, as described in paragraphs 6.22–6.24; and**
>
> **● the presumption that entities disclose information about significant judgements and assumptions adjacent to disclosures about related accounting policies, unless another organisation is more appropriate.**

(a) Do you agree with the Board's preliminary view that a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16? Why or why not? If you do not agree, what alternative proposal(s) do you suggest, and why?

(b) Do you agree with the Board's preliminary view on developing guidance on the location of accounting policy disclosures? Why or why not?

Do you think this guidance should be included in a general disclosure standard or non-mandatory guidance (or in a combination of both)? Why? If you support the issuance of non-mandatory guidance in Question 10(b), please specify the form of non-mandatory guidance you suggest (listed in paragraphs 2.13(a)–(c)) and give your reasoning

In principle, the CRUF agrees with the proposed changes. We like the proposed option to allow preparers to include the policy in the note it relates to, and the suggestions in the discussion paper are not overly prescriptive. We understand that it may pose challenges if the Board forbids the inclusion of the irrelevant (not material) category 3 policies. However, we do urge the IASB to require entities to distinguish relevant accounting policies (category 1 and 2) from those that are not relevant (category 3), rather than just "consider" doing so. With the three categories identified, principles of disclosure should not allow relevant information to be cluttered with irrelevant information.

Question 11
The Board's preliminary view is that it should develop a central set of disclosure objectives (centralised disclosure objectives) that consider the objective of financial statements and the role of the notes. Centralised disclosure objectives could be used by the Board as a basis for developing disclosure objectives and requirements in Standards that are more unified and better linked to the overall objective of financial statements.

Do you agree that the Board should develop centralised disclosure objectives? Why or why not? If you do not agree, what alternative do you suggest, and why?

We agree that the Board should develop centralised disclosure objectives. Such objectives can help ensure that all relevant disclosure needs are properly and proportionally addressed when developing a specific standard. It may also prove helpful in judging whether some of the older standards need to be revisited from a disclosure perspective.

Question 12

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralised disclosure objectives and therefore used as the basis for developing and organising disclosure objectives and requirements in Standards:

- **focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses (Method A); or**
- **focusing on information about an entity's activities to better reflect how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of that entity's resources (Method B).**

(a) Which of these methods do you support, and why?

(b) Can you think of any other methods that could be used? If you support a different method, please describe your method and explain why you think it might be preferable to the methods described in this section. Methods A and B are in the early stages of development and have not been discussed in detail by the Board. We will consider the feedback received on this Discussion Paper about how centralised disclosure objectives might best be developed before developing them further.

On balance CRUF prefers Method B in principle as this is aligned with the analytical approach adopted by analysts. We would again warn that "cash" is not always the best measure of economic performance where items like stock based compensation or amortisation of wasting intangible assets is concerned. The focus should be on economic performance, not just on future net cash inflows. We recognise that this brings complexity and judgement if not fully aligned with the primary financial statements. It is therefore essential that transparency, consistency and comparability of financial disclosures is maintained and improved.

Some CRUF participants prefer a hybrid model. Disclosures that help analysts understand individual line items will continue to remain paramount, but there is also the need to understand activities. One example is hedging, where it would be helpful if the hedges can be attributed to those relating to financing of the capital structure, to investments and those relating to hedging revenues, and input costs.

Question 13
Do you think that the Board should consider locating all disclosure objectives and requirements in IFRS Standards within a single Standard, or set of Standards, for disclosures? Why or why not?

In general, CRUF participants do not think that this is necessary, and think that relocating disclosures would absorb a large amount of resources to accomplish, without actually significantly improving disclosures. We are concerned that, subsequently, such a disclosure standard would continuously be under review, which may not contribute to the perception of IFRS as a stable basis.

Question 14
This section describes an approach that has been suggested by the NZASB staff for drafting disclosure objectives and requirements in IFRS Standards.

(a) Do you have any comments on the NZASB staff's approach to drafting disclosure objectives and requirements in IFRS Standards described in this section (the main features of the approach are summarised in paragraph 8.2 of this section)?

(b) Do you think that the development of such an approach would encourage more effective disclosures?

(c) Do you think the Board should consider the NZASB staff's approach (or aspects of the approach) in its Standards-level Review of Disclosures project? Why or why not?

Note that the Board is seeking feedback on the NZASB staff's overall approach, rather than feedback on the detailed drafting of the paragraphs on the use of judgement in the NZASB staff's example 1 or the detailed drafting of the specific disclosure requirements and objectives included in the NZASB staff's examples 2 and 3. In addition, the Board is not seeking feedback on where specific disclosure objectives and requirements should be located in IFRS Standards (except as specifically requested in Question 13).

CRUF thinks that the main features of the approach – an overall disclosure objective for each standard with sub-objectives for each type of information required – is potentially helpful. This two-tier approach would result in the amount of information provided being dependent on the relative importance of an item or transaction to the reporting entity. We recognise that this places a greater emphasis on the need to exercise judgement, and less prescriptive wording in disclosure requirements, but this is completely consistent with the concept of materiality when determining reporting requirements. As we mention below, we place reliance on non-executives and auditors to act as our agents in determining whether this is the best representation and ensuring the reporting requirements are met.

Question 15
Some stakeholders say that the way that disclosures are drafted in IFRS Standards might contribute to the 'disclosure problem', as described in Section 1. Some cite in particular the absence of clear disclosure objectives and the presence of long lists of prescriptively written disclosure requirements in Standards (see paragraph 8.4). Nevertheless, other stakeholders

observe that specific disclosure requirements might be simpler to use than applying judgement when determining how to meet disclosure objectives.

Do you think the way the Board currently drafts IFRS Standards contributes to the disclosure problem? Please give your reasoning. If you think the current drafting contributes to the disclosure problem, please provide examples of where drafting in Standards could be improved and why.

CRUF participants in general prefer a principles-based approach to standard setting, rather than specific rules. This is to avoid boilerplate disclosures and financial statements which are too verbose. However, we note that plenty of preparers are not familiar with users' different analytical approaches and needs, and therefore struggle to meet principles and as a result they seem to think of preparing financial statements as more of a tick-box approach. Therefore, in some instances, particularly with reference to performance measures, more may be needed than just principles. Preparers need at least descriptive, if not prescriptive, guidance, where examples are provided and companies could be allowed to choose the scenario most relevant to them. We also have a strongly held view that we are relying on the professional judgement of the non-executive directors on the audit committee and the auditor to determine whether the accounts give a true and fair view of the performance of the business. To the extent that accounts fall short of this objective, then the blame should be fairly directed to them as much as to the executive management.

About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held globally. Local country differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organisations. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective organisations. The participants in the Forum that have specifically endorsed this response are listed below.

(Signatures)

Biharilal Deora
Association of International Wealth Management of India

Winfried Fruehauf

Jane Fuller, FSIP

Naoki Hirai
Nomura Securities Co., Ltd.

Masayuki Kubota, CFA
Head of Rakuten Securities Economic Research Institute
Rakuten Securities, Inc.

Goro Kumagai
Mizuho Securities Co. Ltd.

Keiko Mizuguchi
Counselor, Chief Analyst
Japan Credit Rating Agency, Ltd.

Robert Morgan

Yoshihiro NOMURA
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The Corporate Reporting Users' Forum

CRUF Guiding Principles

Accounting standards that govern the preparation of corporate reports should be principles-based and comprehensible to the financially literate. These standards should not result in outputs that are at odds with economic reality.

Such standards should be based on the presumption that the stated principles are faithfully applied. Therefore standards should avoid unnecessary detailed prescription and not unduly restrict companies in presenting meaningful results that are in accordance with those principles.

Corporate reports should report economic reality.

Accounting standards should require compliance with their spirit rather than their letter so that preparers are required to disclose economic 'substance' rather than accounting or legal 'form'.

Users want transparent and comprehensive disclosures.

Corporate reports should be prepared with the objective of providing a fundamental source of information for investors and creditors on which to base their decisions.

Corporate reports should provide information that is clear, understandable, consistent and relevant.

No single primary statement should take precedence.

Not all information that is relevant for users of corporate reports has to be reflected in the primary financial statements. Some information, such as contextual and non-financial information may best be presented outside the primary financial statements.

Accounting standards should not discourage companies from presenting additional information that is useful to users.

The purpose of the cash flow statement should be to identify and explain cash inflows and outflows over the period. Further, the cash flow and accompanying notes should provide insights into the drivers of maintainable cash flows as well as the trends over time of these drivers.

The cashflow should be capable of comparison and reconciliation with the profit and loss and balance sheet. The impact of acquisitions and disposals on these cashflows should also be clear.

The purpose of the balance sheet should be to reflect the capital invested in the business along with capital adequacy, compliance with legal covenants and stewardship.

The purpose should not be to determine the entity's fair value. Further information regarding the values of individual assets and liabilities (including assumptions and sensitivities), should be provided in the notes.

The purpose of the profit and loss statement should be to identify the returns generated from the capital invested in the business.

The profit and loss and the accompanying notes should clearly differentiate and analyse relevant information, such as: operating performance from financing activities; recurring from non-recurring activities; value changes from trading activities.