

Michelle Sansom  
Accounting Standards Board  
5<sup>th</sup> Floor, Aldwych House  
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25 April 2012

Dear Michelle

### **The Future of Financial Reporting**

I write in response to the following Financial Reporting Exposure Drafts (FREDs) setting out the revised proposals for the future of financial reporting in the UK and Republic of Ireland:

FRED 46 - 'Application of Financial Reporting Requirements' (draft FRS 100)  
FRED 47 - 'Reduced Disclosure Framework' (draft FRS 101)  
FRED 48 - 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (draft FRS 102)

We welcome the opportunity to respond to the ASB's consultation. There are two areas of concern that we wish to highlight as noted below.

#### Discounting deferred tax

It is inconsistent that discounting deferred tax is not permitted under FRED 48 whilst other provisions must be discounted, where the effect of the time value of money is material. This is particularly relevant to water companies that have substantial capital programmes to maintain and as a consequence large deferred tax liabilities.

In the case of Anglian Water the impact of removing the discounting option would be to reduce our distributable reserves by £450m (based on our 31 March 2011 accounts), seriously impacting our ability to pay dividends and requiring costly corporate restructuring measures to compensate for this loss of reserves.

We strongly recommend the current option under UK GAAP to discount deferred tax is retained in order to maintain consistency with the treatment of all other provisions.

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Disclosure exemptions for intermediate consolidations

We consider that FRED 47 (Reduced Disclosure Framework) and the disclosure exemptions in FRED 48 should also be available to qualifying entities in their consolidated accounts, where these disclosures are provided in a larger group consolidation which is publicly available.

Furthermore, an entity adopting FRED 47 in its individual financial statements would, when preparing intermediate consolidated accounts, be required to adopt either FRED 48 or full IFRS in those consolidated accounts. Neither of these alternatives would be desirable since the recognition and measurement rules of FRED 48 are not consistent with full IFRS, and the disclosure requirements of full IFRS would be onerous for such financial statements.

We recommend the disclosure exemptions and the option of FRED 47 should be available to intermediate consolidations.

We would be grateful if you could give our recommendations your full consideration.

If you would like to discuss the points made in this letter please contact David Plowman, Financial Controller, Telephone Number 01480 323194, E-mail [dplowman@anglianwater.co.uk](mailto:dplowman@anglianwater.co.uk).

Yours sincerely



**Scott Longhurst**  
**Managing Director, Finance and Non-Regulated Business**