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Accounting Standards Board  
5<sup>th</sup> Floor  
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71-91 Aldwych  
London WC2B 4HN

For the attention of: Peter Godsall

Dear Sirs

#### **The Future of UK GAAP**

We have contributed to the response by The Hundred Group of Finance Directors to the consultation paper on The Future of UK GAAP and support the views expressed therein (refer The Hundred Group letter to you of 1 February 2010). We do however wish to emphasise to the ASB that the distributability of reserves should be taken into account in formulating final proposals.

The distributable reserves of UK companies are determined by UK company law which was formulated under the prevailing UK accounting framework. It is not clear that the requirements of UK company law sit well with an IFRS regime where accounting principles may be set without any consideration of their interaction with UK law. For instance, fair value accounting (either as currently applied or as may be required in future) could have a significant impact on the reserves of companies without any change in the cash flow or solvency of businesses. It is important that changes in the accounting framework and related company law move in step.

The Winter Report on a Modern Regulatory Framework for Company Law in Europe commissioned by the European Commission and issued in November 2002 recommended the abolition of the concept of legal capital and that distributions to shareholders should be allowed on the basis of solvency tests rather than the availability of distributable reserves. These remarks remain relevant today.

If you have any queries in relation to the above, please do not hesitate to contact me.

Yours faithfully



Mark Armour  
Chief Financial Officer