Dear FRC,

I am writing to make a few comments on this paper. I am a retired investment analyst and manager (ASIP), training originally as an accountant (CPFA) and also a private investor.

1 Annual reports - printed

My main concern is the suggestion that companies should be allowed to abandon the production of printed annual reports. This would effectively disenfranchise many smaller shareholders without adequate computer facilities or fluency in their use to access reports on-line, and also be inconvenient to many, like myself, who find the flexibility of print preferable to electronic formats - for instance the opportunity to make manuscript notes and highlight particular words There would be an issue of security as well, in that subsequent alterations to figures or text would have to be absolutely barred. There may be a technological solution to this problem, but it would presumably prevent the kind of manuscript notes, etc. I have referred to.

This is not to say that electronic publication as well is not to be welcomed - nor that it should not be developed to provide continuous reporting during a year of key data, e.g. monthly sales, employee numbers and cash flow.

2 Risks

Risk reporting can treat it as a homogeneous bundle, as though individual risks were capable, at least in principle, of aggregation. In practice some risks conflict with others and investors need to understand how these conflicts are perceived and managed by the board. Despite recent experience I perceive negligible discussion of the risks inherent in the conflict between the interests of management and shareholders. It is implausible that a LTIP with a vesting date as short as three years aligns the interests of management with those of shareholders. Management remuneration rising well above economic growth into the indefinite future is logically unsustainable and in practical terms a source of conflict and risk to both parties - yet goes unreported.

3 True and Fair View

I support the implication that the primacy of this principle might be re-established. For a company which is a going concern, for instance, the current market value of the investments of its pension fund is seen by some (including myself) as a less "true and fair" view of the company's affairs than the discounted present value of future cash flows. Likewise, in valuing loans by a company which might not be fully recoverable, a probability-based write-down reviewed from year to year would be preferable for waiting until losses crystallise

Roger Morton