



The Quoted
Companies Alliance

Minutes of the Financial Reporting Committee Meeting

held on Tuesday 13 March 2012 at 4:30pm at
Baker Tilly, 25 Farringdon Street, London EC4A 4AB

Present:

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|----------------|--------------------------|---------------------------|----|
| (In the Chair) | Anthony Carey | Mazars LLP | AC |
| | Peter Chidgey | BDO LLP | PC |
| | Jack Easton | UHY Hacker Young | JE |
| | David Gray | DHG Management | DG |
| | Jonathan Lowe | Baker Tilly | JL |
| | Shalini Kashyap | Ernst & Young LLP | SK |
| | Kern Roberts | Smith & Williamson Ltd | KR |
| | Matthew Stallabrass | Crowe Clark Whitehall | MS |
| | Nigel Smethers | Smethers & Co | NS |
| | Paul Watts | Baker Tilly | PW |
| | Kate Jalbert | Quoted Companies Alliance | KJ |
| | Jacques Sultan (minutes) | Quoted Companies Alliance | JS |
| | Tim Ward | Quoted Companies Alliance | TW |

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| In Attendance: | Jennifer Guest | ASB | JG |
| | Grant Chatterton | ASB | GC |
| | Edward Beale | City Group | EB |
| | James Batcheldor | Quoted Companies Alliance | JB |

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|----------------------------|------------------|-------------|----|
| On Conference call: | Anthony Appleton | PKF(UK) LLP | AA |
| | David Tyrell | BIS | DT |

Action

1. Welcome to Jennifer Guest and Grant Chatterton from the ASB

AC welcomed JG and GC to the meeting and everyone introduced themselves.

JG provided a brief rundown of the new FREDS published recently. JG noted that the changes to be aware of were on pages 12-13 of the report.

The main aspects that have been put back into this FRED from the last consultation include:

- Revaluation
- Capitalisation of development and borrowing costs
- Removing gold-plating and scrapping the proposal to bring more companies into the tier that had to use EU IFRS that are not required to under EU law

JG noted that the new framework now included a 3 tier system. JG noted the ASB will allow companies to opt for a higher tier/standard if they wish to.

JG noted the main changes within the latest release of the FRED 46-48:

- Financial instruments and the need to fair value them
- The recognition, disclosure and measurement of financial instruments (noting that the treatment of hedging is still uncertain because of the IASB's work on IFRS 9 and so this section could change)
- Specific sections for financial institutions (and the definition) ('IFRS 7 lite')
- The tax section
- The pensions section
- FRED 47 – the reduced disclosure framework for qualifying subsidiaries

GC noted that he worked on the revised FRED 47 and noted that there was not a major difference in the approach. GC noted that the definition of a qualifying entity had been developed. JG noted that there have been some modifications to the exemptions. JG noted that there is hopefully a big cost savings for the companies.

JG noted that the FRSSE will be consulted upon once the EU accounting exemptions have been finalised. JG also stated that the date for implementation has been pushed back to 2015.

EB queried what was still to come with financial instruments and hedging and whether the ASB plans to influence the IASB on this. JG noted that they have been carrying on continued dialogue with the IASB on this. JG noted that the hedging issue was uncertain going forward. GC noted that there will be a separate consultation on this topic next year.

JE queried whether the ASB considered more drastic changes to some sections of the standards. JE asked whether the flow through method of tax was considered. JG noted that the tax section is a work in progress and encouraged the committee to respond to the EFRAG consultation currently out which explores tax in more depth.

TW noted that a key concern that some had expressed was that the previous FREDs would have had a direct implication on the amount of tax paid by companies. JG noted that there had not been any negative feedback on this issue in the current drafting.

MS noted that there was an 18 month implementation window, but queried whether the ASB was in a position to get the document finalised in time, especially considering the IASB's current work on IFRS 9 and hedging. JG noted that the aim was for a September release.

JE noted that he believed that the cash flow statement in UK GAAP was preferred over the IASB version. JG noted that the issues were discussed and the Board came to the conclusion to use the IASB version.

JE noted that that foreign currency contracts and floating loan agreements with swaps could be considered financial instruments under the new FREDs and would have to be fair valued. JG recognised this but noted that users want to know the fair value of these basic instruments and hope that the need to fair value them may refocus companies attention on the reasons for getting into these agreements. JG noted that the ASB has released detailed case studies on this and felt so far that it will not result in a significant increased cost for companies. JG encouraged committee members to feed into these if possible.

AC thanked JG and GC and JG and GC stayed for the continuation of the meeting.

2. Apologies

Apologies were received from Ian Davies, Jonathon Ford, Chris Smith, Ian Smith, Bill Farren, and Nick Winters.

3. Minutes of last meeting (24 January 2012)

The minutes of the previous meeting were approved.

4. Key Issues

- **Campaigns 2012**

AC discussed the follow up to Quoted Companies Alliance's meeting with the chairman of IASB, Hans Hoogervorst, and his speech in Mexico concerning small and mid-cap quoted companies and difficulties with disclosures under IFRS. AA noted that at the IASB meeting in February 2012 the IASB seemed to want to develop a channel for engagement with small and mid-cap company directors on new and existing standards. TW noted that he has liaised with the IASB on this and is expecting a letter from them soon.

MS noted that there should be greater links between the standard-setters and the companies that produce the financial statements and the committee could play a role in facilitating this engagement

EB noted that the committee could play a role in finding out small and mid-cap investors/users needs for reports.

MS noted that the Quoted Companies Alliance should be seeking to take forward the previous survey. The committee can then focus its campaigns based on the feedback from the survey. KJ/JS will circulate the previous survey to committee members and committee members could make suggestions of new questions/revisions.

KJ/JS/ALL

NS noted that in addition to surveys it is important for the committee to inform FDs of key changes. AA volunteered to help produce a short summary of the FREDs for FDs and DG and NS volunteered to have a look over it once it was prepared.

AA/DG/NS

AC noted the important campaign issues and who to lobby:

1. Follow up with the IASB on engagement with small and mid-cap directors
2. Follow up with the ASB on the Future of UK GAAP and representation of small companies
3. Feedback from smaller investors and views on vehicle for more influence.
4. To venture further out, for example to obtain FD's views and FD's needs.
5. Materiality
6. Link up with other organisations and sign posting.

JS will update the campaign paper based on the discussion for the next meeting.

JS

- **Amending Directive of the Statutory Audit Directive 2006/43/EC and Regulation on Statutory Audit of Public Interest Entities**

KR noted that he will send through some points in the revised Directive which he believes will have an effect on small and mid-cap quoted companies.

KJ noted that the QCA will then carry out a survey of directors to find out their views on some of the proposed changes.

KJ/JS

5. Consultation Papers

- **IASB – Exposure Draft: Revenue from Contracts with Customers – Response Date: 13 March 2012**

The committee discussed AA's draft response. MS raised one point concerning the response to Question 4/onerous performance obligations and AA agreed to amend the response.

AA

- **ESMA – Considerations of materiality in financial reporting – Response Date: 30 March 2012**

EB noted that ESMA should not be discussing materiality. EB noted that this is an IASB issue rather than an ESMA one and that the QCA response should reflect this.

MS has produced a draft response and asked for any additional comments on it via email.

MS/ALL

- **ASB and EFRAG – Improving the Financial Reporting of Income Tax – Response Date: 29 June 2012**

EB noted that he is happy feed into the Quoted Companies Alliance response.

EB

- **Revised proposals for the Future of Financial Reporting Standards in the UK and Republic of Ireland: FRED 46 (Application of Financial Reporting Requirements), FRED 47 (Reduced Disclosure Framework) and FRED 48 – Response Date: 30 April 2012**

EB noted that there had been material not addressed in the report released. EB noted that there are easy wins in the report for the ASB even though there are some shortcomings. EB felt that there is some room for change regarding pensions.

JS asked for committee members to send comments on which questions the QCA should respond to. KR/DT/SK/MS volunteered to help with the response and will send some comments through.

JS/DT/KR/SK

- **FRC – Draft Plan & Budget 2012/13 – Response Date: 13 April 2012**

AC volunteered to draft the Quoted Companies Alliance response.

AC

6. Communications/Future Meetings:

This was not discussed.

7. AOB:

No other business.

8. Date of next meeting(s)

4.30pm Tuesday 24 April 2012 (Venue: BDO LLP, 55 Baker St, London W1)

9. Action Points

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| Survey for the Corporate members on the proposed Audit Directive/Regulation | KJ/JS | ASAP |
| Update Campaign Outline | JS | ASAP |
| Draft response to FRC Draft Plan | AC | ASAP |
| Feedback on draft response to ESMA consultation paper and MS to update. | MS/ALL | ASAP (Response Date: 30 March 2012) |
| Update draft response IASB Exposure Draft: Revenue from Contracts and Consumers | AA | ASAP (Response Date: 13 March 2012) |
| Send comments through on the FRED 46-48, highlighting areas for the QCA to respond to | ALL (DT/KR/SK to help with the response) | 30 April 2012 |
| AA to produce a short summary of the FREDs for FDs | AA (DG/NS to review it) | ASAP |
| Provide comments on the ASB and EFRAG – Improving the Financial Reporting of Income Tax | EB | For the next meeting 24 April 2012 |
| Circulate the previous survey on complexities with IFRS and committee members to make suggestions of new questions/revisions. | KJ/JS/ALL | For the next meeting 24 April 2012 |