



The Quoted
Companies Alliance

Minutes of the Financial Reporting Committee Meeting

held on Tuesday 22 February 2011 at 11:30am at
RSM Tenon Group plc, 66 Chiltern Street, London W1U 4JT

Present:

(In the Chair)	Anthony Carey	Mazars LLP	AC
	Anthony Appleton	PKF LLP	AA
	Chris Smith	Grant Thornton (UK) LLP	CS
	Matthew Stellabrass	Crowe Clark Whitehill	MS
	Nick Winters	RSM Tenon Group plc	NW
	Kate Jalbert (minutes)	QCA	KJ

In Attendance:	Edward Beale	City Group plc	EB
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Action

1. Apologies/Welcome to New Members

Apologies were received from Sarah Cox, Peter Chidgey, Ian Davies, David Gray, Paul Watts, Bill Farren, James Lole and Tim Ward.

2. Minutes of the previous meeting (25 January 2011)

The minutes of the previous meeting were approved.

3. QCA Position – IFRS Simplification/IFRS for SMEs

- **IFRS Complexity Survey:**

AC asked KJ what she thought about trying to produce a press release on the findings. KJ noted that this could be an option, but that it would be useful to include what we are going to do about it. KJ will explore the results and see if there is a story to tell.

KJ noted that the results of this survey would be useful to take to the IASB, who wanted more details of specific complexities in standards, and this could serve as the basis to start a discussion with them in May/June 2011.

KJ

MS noted that it seemed that most of the complexities focused on IFRS 7 and IFRS 2.

CS noted that the survey suggests that segmental reporting is the least complex according to the percentage, however he suggested that many may actually not understand the standard and that the quality of disclosures in this area are not necessarily very good.

- **ASB: The Future of Financial Reporting (Future of UK GAAP) (RD: 30 April 2011):**

AC noted that the Committee should take forward the line that the ASB should not force the change to IFRS as there does not seem to be much of a demand to switch from UK GAAP. AC also suggested that there are many IFRS standards currently being updated and so it may not be the appropriate time to institute a framework change based on IFRS in the UK.

EB noted that the UK should be leading on this and using this as an opportunity to show the IASB that a better form of IFRS for SMEs can be developed and implemented. KJ noted that the committee should consider this in our response as a way of leading the debate with the ASB and the IASB. EB also noted that we should raise the issue of the public accountability definition and query whether or not there is room to push back on this with the ASB.

AA noted that he believes there is a rationale for changing the UK's approach to IFRS in terms of simplification. AA explained that he believes that this is an opportunity to simplify UK GAAP in IFRS for SMEs. If we went for a FRSME for AIM companies, then it would need to be a pretty robust standard.

EB noted that the ASB is extending its remit in a way it hasn't done before in Tiers 2 and 3. EB explained that he thought this should be left up to the EU, regulators and the market.

AC noted that we should aim to explore this at the next meeting and have a draft ready for discussion.

AC/KJ

4. Consultation Papers/Current Issues

- IFRS Foundation Paper: Status of Trustees' Strategy Review (RD: 24 February 2011):

AC queried point of views on the questions in the consultations. EB noted that the issue is whether the IASB looks at financial stability or just financial reporting. AC noted that the financial reporting should independent from the financial stability aspect.

KJ explained that the next set of questions explores governance – particularly if the three-tiered structure is working and also the construction and mission of the monitoring board.

AC then discussed the rest of the questions with the committee and noted that he would produce a draft response and circulate it.

AC

- Financial Reporting Council: Effective Company Stewardship: Enhancing Corporate Reporting and Audit (RD:31 March 2011):

KJ noted that this is a joint response between this committee and the Corporate Governance Committee. Ian Wright of the FRC, who is running this project, is attending the 14 March Corporate Governance Committee meeting and that all committee members from the Financial Reporting Committee are encouraged to attend. Please let KJ or Chris Stapeley if you plan on attending.

ALL

EB noted that he believes that this paper is addressing the symptoms rather than the problems and results from the fact that investors do not trust directors. EB will be drafting a first draft and it will be for discussion at the 14 March 2011 Corporate Governance Committee. EB believes that the changes they suggest are trying to codify best practice and he believes it may discourage people from taking best practice on. AC notes that the committee should mainly have an interest in the narrative reporting aspects in this. AC also notes that most of the report is fairly high level rather than providing technical, detailed proposals.

AC queried whether companies should just be able to file on the web and not send accounts out shareholders. This is something that should be considered.

- IAASB: The Evolving Nature of Financial Reporting (RD: 1 June 2011):

KJ noted that this paper explores the issue of materiality and that it had been recommended for the QCA to respond to.

- ASB/EFRAG: Considering the Effects of Accounting Standards (RD: 21 August 2011):

KJ explained that this paper mainly looks at cost/benefit analysis and post-implementation reviews of accounting standards and how they can be improved.

5. Communications/Future Meetings:

- Future Meetings/Guests:

AC noted that it would be useful to have someone from the FRC attend once the paper on the 'Cutting Clutter' project had been released in Spring 2011.

KJ/Chris Stapeley

- Report of the Materiality Roundtable (17 February 2011):

AC noted that he thought the Materiality Roundtable was successful and thought that the group contributed well to the debate.

EB queried what the next steps would be. AC noted that he wanted to explore how to take it forward with the IASB and the FRC. AC noted that the IASB representative presented a good point making the wording on disclosures in standards sound less like all the disclosures are requirements.

AC explained that in a meeting the new IASB chairman inferred that there would not be room for proportionate standards for smaller listed companies. KJ noted that the European Commission, especially Barnier, may be open to exploring it, but that it would be a proposal that would have push back. NW noted that PLUS markets is concerned about the ASB – The Future of Financial Reporting proposals because it takes away their flexibility.

EB noted that it is important to get the IASB to put a note about materiality in each standard. AC noted that it may be worth speaking to the ASB about this too and that the FRC project on Cutting Clutter will provide an opportunity to speak more about materiality in accounts. EB noted that there is the ICAEW guidance on materiality and an ICAS project on materiality that has just started.

AC noted that Roger Marshall was interested in an event looking at a set of accounts and stripping out what is not material. AC explained that it would be useful to have a company, the auditor, the regulator and the investor present and compare their points of view. AC noted that it would be useful to move forward with this.

KJ

KJ noted that it would be useful to write something up for corporates that clearly explains in plain English how materiality affects them and what the issues are. KJ noted that she will attempt to do this and write up the notes from the event for the next committee meeting.

KJ

AA noted that it will take some time to get the IASB to put materiality in all the standards. The committee should ensure that it pushes hard on getting materiality written into the Leases and Revenue Recognition standards coming out this year. Committee members agreed with this.

6. AOB:

- IASB Update – February 2011:

KJ noted that in the IASB updates this month there was discussion on the leases and revenue recognition standards. KJ explained that she will put these back on the agenda so that committee members are aware of debates happening within the IASB

KJ

- ASB Future of Financial Reporting Roundtable (15 March 2011):

KJ explained that there is a roundtable at the ASB on the Future of Financial Reporting on 15 March 2011 with Roger Marshall, ASB Interim Chairman. KJ noted that if anyone is interested in attending to let her know asap.

KJ

- Corporate Reporting Charter Progress – European Level:

AC noted that we are close to having a corporate reporting charter, that very much reflects this committee's charter, agreed with EuropeanIssuers. AC will update the committee on its progress at the next meeting.

AC

7. Date of next meeting(s)

11/11:30 Tuesday 22 March 2011 (Host: Mazars LLP)

11/11:30 Tuesday 19 April 2011 (Host: Baker Tilly)

8. Action Points

Action	Person	Timing
Further analysis of the IFRS survey for press and IASB meeting	KJ	ASAP
Produce draft response on the IFRS Foundation Strategy Review	AC	ASAP (before 24 February 2011)
Prepare first draft of QCA response to The Future of Financial Reporting	KJ/AC	For discussion at March meeting
Let KJ and Chris Stapeley know if	ALL	ASAP

you would like to attend the 14 March Corporate Governance Committee		
Invite guests to future committee meetings	KJ/Chris Stapeley	ASAP
Look into setting up event on materiality with Roger Marshall	KJ	ASAP
Write up note on materiality event for corporates and attendees	KJ	ASAP/Before March meeting