



The Quoted
Companies Alliance

Minutes of the Financial Reporting Committee Meeting

held on Tuesday 24 April 2012 at 4:30pm at
BDO LLP, 55 Baker St, London W1U 7EU

Present:

(In the Chair)	Anthony Carey	Mazars LLP	AC
	Anthony Appleton	PKF(UK) LLP	AA
	Peter Chidgey	BDO LLP	PC
	David Gray	DHG Management	DG
	Matthew Stallabrass	Crowe Clark Whitehall	MS
	Jacques Sultan (minutes)	Quoted Companies Alliance	JS
	Tim Ward	Quoted Companies Alliance	TW
	Nick Winters	RSM Tenon Group PLC	NW

In Attendance:

Francoise Flores	EFRAG	FF
Edward Beale	City Group	EB
James Batcheldor	Quoted Companies Alliance	JB

On Conference call:

David Tyrrall	BIS	DT
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Action

1. Welcome to Francoise Flores form EFRAG

AC gave an introduction, and welcomed FF to the committee meeting.

FF gave a brief description of EFRAG and their current role with Europe. FF noted that EFRAG has two objectives:

1. Affective development of IFRS
2. Ensure the final standards are acceptable in Europe.

FF gave a quick overview of the items that EFRAG is undertaking.

- Providing the European Commission with which recommendations IFRS are acceptable
- EFRAG has been responding to the IASB consultations
- EFRAG has great influence on IASB deliberations
- EFRAG constantly monitors the IASB agenda
- Be involved with out-reach activities. For example, how changes to revenue recognition will have an impact. EFRA also undertakes field tests to understand the market.

FF noted that EFRAG had some influence with the work they have done.

FF noted that the EFRAG work done on IFRS 13 had been very beneficial. This had now been mandated for Europe, and was to be put in place by 2014. FF noted that it was a fair and measures guidance, that used a principle base standard. FF noted that the standards in place allowed easier education and training.

FF noted that after the standards were published, there had been further discussion with industry/peers. The discussions included the implementation to redefine the eliminated parts of the standard. With the principle based guidance, there needs to be some kind of training.

FF noted that EFRAG is undertaking proactive projects. EFRAG is finalising a paper with the UK+ASB on a paper, which will be out soon. Already published is the EFRAG/ASB Improving the Financial Reporting of Income Tax. EFRAG is currently looking into the disclosure framework project; with an aim to what should be the standard and how to get the information whilst removing clutter.

FF noted that at present, EFRAG seems to be hearing from large companies, and that EFRAG struggles to hear from smaller companies. EB queried why no contact with the smaller companies. FF noted that they are not on their radar. FF noted that she is attempting to change this, and has previously met with EuropeanIssuers.

TW noted that it was refreshing to hear EFRAG is attempting to help cut the clutter in financial reporting. TW noted that it would be a huge aid to small and mid-cap quoted companies. FF noted that this is not just a small and mid-cap issue, but of concern to the larger listed companies. It was once a case where audit firms did not want to miss anything from the report, that has meant the reports have stayed as is, and not moved forward. Now the IASB has felt it needs to deal with financial reporting, with the placement of information on financial statements, and dealing with overlapping with disclosures. FF noted that the sensible solution would be to understand where the overlapping is taking place and what would the user need to know.

EB brought up the issue of materiality. There was general discussion on how the IASB had been calling for reconciliation and where to stress the idea of materiality to the standards. FF noted that there needs to be a change and for the companies/auditors need to think for themselves.

AA noted that within the IASB Exposure Draft: Revenue from Contracts with Customers, the disclosure checklist was almost there, but the linguistic barrier is crossed and creating material. PC noted that that all things are placed in the financial reports unless with good reason not to put them in. AC noted that this was a burden on the small and mid-size quoted companies. FF reiterated that this was not just a SME issue, but for all companies. The marginal cost for the SMEs is probably greater, but there needs to be a similar protection.

AC queried how it was best to work with EFRAG. FF noted the recent French paper. The French paper appears to delay the problem. FF noted some perception that smaller quoted companies need to disclose more. There is also a cost to enter capital markets, with concerns getting higher.

EB discussed the ESMA's view on materiality. EB noted that the measurement rules in the standard are to blame. EB noted that there was a wide range of uncertainty, an issue with discounted value (causes complexities, no direct influence on entry and exit cash flows) and issue with accounting setters.

2. Apologies

Apologies were received from Ian Davies, Jack Easton, Jonathon Ford, Kate Jalbert, Kern Roberts, Chris Smith, Ian Smith, Bill Farren and Paul Watts

3. Minutes of last meeting (13 March 2012)

The minutes of the previous meeting were approved.

4. Key Issues

▪ Letter from the IASB

TW noted that the letter received was a positive step. TW noted that the IASB will be on the panel at the upcoming QCA Conference. AC noted that this was an appropriate opportunity to give the small and mid-cap quoted companies an opportunity to get their voice out.

- **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**

There was general discussion on each of the draft response for each question within the FREDs consultation. The committee was broadly supportive of the response and to the alternate view. JS would send the final version, along with the comments by DT.

ALL/JS

- **Campaign Outlines 2012**

The Campaign Outline was briefly discussed. All committee members would look over the proposals and send feedback in preparation for the next meeting.

ALL

5. Communications/Future Meetings:

TW noted that the organising of the QCA Conference was going well and urged all committee members to register. TW noted that it would be an ideal opportunity to continue the good work the committee does.

TW noted that the latest QCA/BDO Small and Mid-cap Sentiment Index has been released. TW noted that all members should be filling out the survey and then passing it on to all other corporate clients/advisers.

ALL

6. AOB:

No other business.

7. Date of next meeting(s)

4.30pm Tuesday 29 May 2012 (Venue: Crowe Clark Whitehall 10 Salisbury Square, London EC4)

4.30pm Tuesday 24 July 2012 (Venue: Deloitte LLP, 2 New Street Square, London EC4A 3BZ)

8. Action Points

Comments on the draft Campaign Outline	ALL	ASAP
Send comments through on the draft response to the FRED's	ALL	ASAP
Send DT new draft response on FRED's question.	JS/ALL	ASAP
Complete Survey QCA/BDO Small and Mid-cap Sentiment Index	ALL	ASAP