



## Minutes of the QCA Financial Reporting Expert Group

Held on: Monday 18 September 2017

Venue: Deloitte LLP, Hill House, 1 Little New Street,  
London, EC4A 3TR

### Present:

Matt Howells (Chair)	Smith & Williamson LLP	MH
Edward Beale	Western Selection Plc	EB
Jonathan Compton	BDO LLP	JC
Rochelle Duffy	PKF Littlejohn LLP	RD
Peter Westaway	Deloitte LLP	PW
Callum Anderson (minutes)	Quoted Companies Alliance	CA

### In attendance:

Andrew Watchman	EFRAG	AW
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## 1. WELCOME TO ANDREW WATCHMAN, EFRAG

MH welcomed AW to the meeting.

AW gave a brief overview of EFRAG's role in European policymaking. He emphasised that EFRAG advised the European Commission and was not a decision-maker. Nonetheless, he added that EFRAG no longer just provided technical assessments of Standards, but also judged in the context of the 'European public good'. This meant they analysed whether Standards were compatible to the European Union's objectives of financial stability, economic growth and maintaining EU economic competitiveness.

With respect to IFRS 16 Leases, AW noted that anecdotal evidence indicated that, in comparison with larger companies, the impact on smaller companies' balance sheets with respect to debt and liabilities would be more substantial. Nonetheless, he explained that EFRAG had concluded that IFRS 16 met the technical endorsement criteria, would be conducive to the European public good and had reached an acceptable cost-benefit trade-off. AW noted that IFRS 16 could reduce demand for leases by as much as 3% after it has come into effect.

AW added that EFRAG also indicated that implementation costs of IFRS 16 could be reduced if the Standard was endorsed by the end of 2017 so that it could be adopted early in conjunction with IFRS 15. (It is expected that endorsement will happen in October.) The Expert Group noted that smaller companies would find this very challenging to meet the necessary requirements so soon, but welcomed the fact that it will be possible to submit implementation questions regarding the new standard via the IASB website.

AW and the Expert Group exchanged views on how EFRAG and the IASB can more effectively engage with smaller companies when drafting new accounting Standards. MH noted that the QCA would be very happy to facilitate roundtables or interaction in other forms between small and mid-size quoted companies and EFRAG and the IASB.

AW mentioned EFRAG’s view on the IASB’s Principles of Disclosure project (item 4a below), which is that the project should lead to a standard-by-standard review of disclosures.

In discussing the IAS 36 requirements for impairment testing, AW noted that the question of whether goodwill should be subject to amortisation rather than annual impairment testing is not currently being discussed by the IASB; neither is the question of whether goodwill and intangibles should be treated separately for these purposes (these are areas that the Group could consider making representations on in the future.)

AW left the meeting.

## 2. APOLOGIES

Apologies were received from David Hough, Gary Jones, Matthew Stallabrass and Tim Ward.

## 3. MINUTES OF LAST MEETING (6 June 2017)

The minutes were approved.

## 4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p><b>IASB consultation – Disclosure Initiative – Principles of Disclosure</b></p> <p>The Expert Group agreed that the draft response should:</p> <ul style="list-style-type: none"> <li>• emphasise the need for a standard-by-standard review of disclosures, using the principles developed;</li> <li>• state the view that another disclosure standard is not desirable;</li> <li>• state that the principles of disclosure should be considered in conjunction with work on the primary financial statements, and should be predicated on a clear understanding of what accounts are actually for, who relevant users of accounts are and what sorts of information needs they have. This is part of the Conceptual Framework project;</li> <li>• challenge the IASB’s view that the primary financial statements are more important than the notes.</li> </ul>	<p><b>CA</b> to circulate draft response to the Expert Group.</p> <p><b>ALL</b> to send their comments to the draft response to <b>CA</b>.</p>

	MH noted that a draft response had been circulated to Expert Group members. He asked Expert Group members to review the draft response and send comments to CA in good time before the 2 October submission deadline.	
<b>b)</b>	<p><b>FRC consultation – Draft amendments to Guidance on the Strategic Report – Non-financial reporting</b></p> <p>MH explained that the FRC had issued a consultation on draft amendments to Guidance on the Strategic Report. The Expert Group noted that an objective of the FRC was to future proof the guidance in light of the government’s corporate governance agenda, which appeared to be leading towards a path of additional legislation and more disclosure.</p> <p>The Expert Group agreed that it would encourage the FRC to circulate another draft of the Guidance after the consultation period, updated to reflect the major points arising from the consultation.</p> <p>CA explained that he would circulate a draft response for comments to both the Financial Reporting and Corporate Governance Expert Groups.</p>	<p><b>CA</b> to circulate draft response to the Expert Group.</p> <p><b>ALL</b> to send their comments to the draft response to <b>CA</b>.</p>
<b>c)</b>	<p><b>Brexit</b></p> <p>This was not discussed.</p>	None to note.

## 5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
<b>a)</b>	<p><b>QCA position paper – Future of the UK market structure for quoted companies</b></p> <p>This was tabled for information only and was not discussed.</p>	None to note
<b>b)</b>	<p><b>FRC defers decision on updating FRS 102 for major changes in IFRS</b></p> <p>This was tabled for information only and was not discussed.</p>	None to note.
<b>c)</b>	<p><b>Policy Update (August 2017)</b></p> <p>This was tabled for information only and was not discussed.</p>	None to note.
<b>d)</b>	<p><b>Guest invitations to future meetings</b></p> <p>MH asked the Expert Group to send any suggestions to CA.</p>	<b>ALL</b> to send their requests for future guests to Expert Group meetings.

		<b>CA</b> to invite guests to meetings.
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**6. ANY OTHER BUSINESS**

MH noted that the next meeting should discuss how the Expert Group should continue to connect with members (for example, this could be in the form of technical articles for the QCA newsletter, as done in the past).

**7. NEXT MEETING**

Tuesday 21 November 2017, 4.30pm – 6.00pm (Venue: RSM, 25 Farringdon Street, London EC4A 4AB)