

Present:

Matthew Stallabrass (Chair)	Crowe Clark Whitehill	MS
Joseph Archer	Crowe Clark Whitehill	JA
Edward Beale	Western Selection	EB
Kate Jalbert	Quoted Companies Alliance	KJ
Maria Gomes (minutes)	Quoted Companies Alliance	MG

In attendance:

Donna Caira (in place of Niraj Patel)	Saffrey Champness	DC
Sue Harding	Financial Reporting Council	SH

ACTIONS**1. Welcome to Sue Harding of The Financial Reporting Council to discuss the work of the Financial Reporting Lab**

MS welcomed SH and everyone introduced themselves.

SH explained that the Financial Reporting Lab recently completed its project on the audit committee report. Other issues that the Lab is currently working on are accounting policy disclosure, e-enabled reporting, the 'cutting clutter' initiative and dividend policy and capacity.

Regarding accounting policies, SH explained that the Lab understands the need for disclosure, but at the same time these are the least read disclosures. Companies should describe the most significant accounting policies as investors need visibility of these. EB suggested that SH and the Lab comment on the QCA's Audit Committee Guide for Smaller Quoted Companies. KJ explained that the guide is currently being revised and offered to send a copy of both new and old versions to SH.

KJ

The group discussed the difficulties in judging significance and materiality, explaining that these concepts are often confused. SH noted that the FRC would like to break away from the significant/material circle of discussions and work more on this with companies in terms of finding out what is significant in particular sectors.

MS pointed out that many accounting policies are 'cut and pasted', or simply state they follow IFRS2, and that that is not enough. SH emphasised that the FRC is concerned with the content of the accounting policy; they are testing the idea of integrating the accounting policies into the notes of the financial statement – which does not seem to have gathered many supporters so far.

SH explained that they would also like to find out if it is helpful for the investors to have a note order. Some argue that it is important to know in which pages the notes are, but on the other hand, much is done electronically via word searching nowadays. SH asked the group to let her know if there are any companies that would be willing to participate in this Lab study.

ALL

SH noted that the Lab is about to announce a study on corporate e-enabled reporting, based on the idea that technology is evolving quickly. The group pointed out that technology is still lagging behind in terms of annotating pages and flipping through documents to find information. SH explained that they are re-thinking where the information is placed (e.g. cashflow brought up to page one) so to avoid the page-flipping and word searching processes. They are trying to find out which companies would make a

representative sample so to understand if getting away from the paper-based system would be helpful and cost-effective.

EB pointed out that small companies have the fixed costs in preparing the hard copy, as per the Companies Act currently in force. Spending more money to prepare an e-copy will rank low on their priority list for as long as the hard copy is mandatory. SH emphasised that the Lab wants to know what would be useful for companies – and not only for FTSE 100 companies - and gain insight and develop arguments to try and build on what the future may look like.

Regarding 'cutting clutter' initiatives, SH explained that this is a difficult project to get off the ground with companies, due to the new reporting requirements, which have come into effect this reporting season. SH noted that some companies will do case studies next year; in addition to that, it would be perhaps interesting to do a QCA roundtable on this topic, to identify the real barriers to cutting clutter. SH noted that Lab is going to have a debate on reporting in general, but it would be important to have a session with the interested parties. KJ agreed to set it up.

KJ/MG

MS noted that it takes a lot of time for companies to think about their annual report, so the easiest is to roll over last year's report. It would be interesting to engage companies and explain the value of focusing on cutting clutter and communicating effectively in the annual report. EB added that small companies do not receive a lot of feedback on reports and so maybe it would be important for shareholders to give feedback on how to improve the quality.

Concerning dividend policy and capacity, SH explained that the investment community has expressed an interest in the Lab doing a project on this topic, and so there is a good opportunity to have a productive discussion with companies. Working with the companies, it would be interesting to see what is disclosed on distribution policy and whether companies can deliver this and how does the policy link to the strategy of the business. SH added that they will announce a project on this soon.

SH concluded by saying that the Financial Reporting Lab is planning another survey and perhaps an event in October to get feedback from companies on their projects. SH emphasised that the FRC should not come up with its own agenda, but it should be the companies to tell them what to focus on.

MS thanked SH and she left the meeting.

2. Apologies

Apologies were received from Ian Davies, David Gray, Matthew Howells, Chris Smith, Ian Smith, Bill Farren, Paul Watts, Jonathan Lowe, Nick Winters and Tim Ward.

3. Minutes of the last meeting (28 January 2014)

The minutes were approved.

4. Key discussion items:

- **FRC FRED 54 - Draft Amendments to FRS 102 – Basic financial instruments (RD: 30 April 2014)**

MS noted that this draft improves on the standard. EB commented that the FRC missed an opportunity in terms of demonstrating leadership with this consultation. MS added that this causes problems with redistributive profits for many companies. EB agreed to share his response with the group. The group agreed to send MG and KJ comments on the consultation questions, to be put together in order to draft a QCA response.

ALL

- **AICPA/CIMA - Consultation Draft Global Management Accounting Principles: Driving better business through improved performance (RD: 10 May 2014)**

MS noted that there are perhaps a couple of aspects of this consultation the QCA could comment on; e.g., bearing in mind the size of the organisation seems to not have been considered in the consultation. KJ suggested she confirms our intention to respond with Tim Ward.

KJ

- **ESMA - Proposed guidelines on the presentation of alternative performance measures by issuers (RD: 14 May 2014)**

The group agreed that it is important that the QCA submits a response to this consultation. EB noted that he did not understand from the consultation what the size of the problem was that ESMA is trying to solve. He further queried whether ESMA's proposals were proportionate. MS noted that the FRC is taking legal advice on whether ESMA has the jurisdiction to make these changes. MS explained that alternative performance measures could be prominent for companies in certain sectors (e.g. sales per store for a company that sells food). KJ noted that the impact assessment is pretty poor and there are no figures as to the costs of implementing these changes for companies. KJ and MG agreed to draft a general response and circulate it to the group to fill in the technical detail.

MG/KJ

- **IASB - Feedback on the implementation of its Business Combinations Standard (RD: 30 May 2014), and FRC - Post-implementation Review of IFRS 3 (RD: 30 May 2014)**

The group agreed that it would be important to receive feedback from corporate membership on their experience using IFRS 3, specifically on any complexities that exist in the standard. . KJ agreed to send an email to corporate membership, and to find a volunteer to draft the response at the next meeting.

MG/KJ

- **EFRAG/ANC/FRC – The role of the business Model in Financial Statements (RD: 31 May 2014)**

JA confirmed that he has already prepared a draft response to this consultation, which will be circulated for comments ahead of the deadline for submission.

JA

5. Communications/Future Meetings

- **Policy Update Briefing (19 February 2014)**

KJ noted that the QCA has recently published a Corporate Governance Behaviour Review in partnership with UHY Hacker Young. The QCA and UHY Hacker Young assessed the annual reports of 100 small and mid-size companies against the minimum disclosures as set out in the QCA Corporate Governance Code; the report demonstrates that there are areas where reporting could be improved.

- **Guests for future meetings**

This item was not discussed.

6. A.O.B.

No new items were discussed.

7. Date of next meeting

4.30pm Tuesday 29 April 2014, with Vickie Wood, BIS, as guest (Venue: Saffery Champness Chartered Accountants (TBC))

8. Action Points

Action	Person	Timetable
Send copy of QCA accounting guide to SH	KJ/MG	ASAP
Let SH know if there are any companies to participate in the Lab study on accounting policies	All	ASAP
Set up QCA/FRC roundtable on 'cutting clutter'	KJ/MG	ASAP
EB to send his draft response to FRED 54	EB	ASAP
Draft a response to FRC FRED 54 - Draft Amendments to FRS 102 – Basic financial instruments and send to the group for comments	KJ/MG and ALL	ASAP (RD: 30 April 2014)
Confirm response to AICPA/CIMA - Consultation Draft Global Management Accounting Principles: Driving better business through improved performance	KJ/Tim Ward	ASAP (RD: 10 May 2014)
Draft a response to ESMA - Proposed guidelines on the presentation of alternative performance measures by issuers	MG/KJ	(RD: 14 May 2014)
Send an email to the corporate membership on issues with IFRS 3 to inform QCA response to IASB consultation	MG/KJ	ASAP (RD: 30 May 2014)
Draft a response to FRC - Post-implementation Review of IFRS 3	MG/KJ	ASAP (RD: 30 May 2014 and 15 April 2014)
Draft a response to EFRAG/ANC/FRC – The role of the business Model in Financial Statements	JA	ASAP (RD: 31 May 2014)