

Department for Business, Innovation and Skills  
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14 November 2012

Dear Sirs,

## **BIS - The Future of Narrative Reporting: A new structure for Narrative Reporting in the UK**

### ***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. The market capitalisations of our members and others in the sector tend to be below £500m.

The Quoted Companies Alliance is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in fourteen European countries.

Our Corporate Governance and Financial Reporting Expert Groups have examined your proposals and advised on this response. A list of members of the Expert Groups is at Appendix A.

### ***Response***

We welcome the opportunity to respond to this consultation. Overall, we believe the changes proposed in the draft regulations are positive and will not add additional burden on our members, small and mid-size quoted companies. However, we do have comments on some aspects of the draft regulations:

- **Definition of 'manager' for gender split of employees in the Strategic Report (Section 414C.5(6))**

We would recommend using a definition for manager that already exists in the company law or accounting standards so as to simplify the new reporting requirement for companies. We suggest that the definition of 'persons discharging managerial responsibility' may be more appropriate.

Alternatively, the wording used in the draft regulations suggests that BIS may be basing the definition of 'manager' on the definition of 'key management personnel' in IAS 24 Related Parties. However we would note that the same wording has not been used. 'Key management personnel' in IAS 24 is defined as:

*Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.*

If the intention is so, we would suggest referring directly to IAS 24, as is the case, for example, in SI 2008 No.410 Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations Schedule 1 and paragraph 72(5):

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

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*In this paragraph, “related party” has the same meaning as in international accounting standards.*

- **Contents of strategic report: statement as to disclosure to auditors and the need to repeal it from the Directors’ Report contents (Section 414D)**

We note that the statement as to disclosure to the auditors (Section 414D) currently exists as a requirement in the Directors’ Report and in the Strategic Report. We believe it should be only be required in either the Directors’ Report or Strategic Report to avoid unnecessary repetition of this requirement.

- **Regulation 5 – principal activities of the company**

We do not think that it is correct for BIS to assert that a statement of principal activities is commonly found in the articles of association of the company. It is not a legal requirement for such a statement to be included within the articles of a company and, indeed, section 31(1) Companies Act 2006 makes it clear that a company has unrestricted objects unless specifically restricted. This point is further demonstrated by the Model Articles for Public Companies (issued by BIS) where the model form makes no accommodation for either restricted corporate purposes or a statement of principal activities.

If you would like to discuss any of this further, we would be happy to attend a meeting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'T. Ward', with a stylized flourish at the end.

Tim Ward  
Chief Executive

**Quoted Companies Alliance Corporate Governance Expert Group**

Edward Craft (Chairman)	Wedlake Bell LLP
Edward Beale	Western Selection Plc
Tim Bird	Field Fisher Waterhouse
Dan Burns	McguireWoods
Anthony Carey	Mazars LLP
Louis Cooper	Crowe Clark Whitehill LLP
Victoria Dalby	Capita Registrars Ltd
Kate Elsdon	PricewaterhouseCoopers LLP
Nicola Evans	Hogan Lovells International LLP
David Firth	Penna Consulting PLC
David Fuller	CLS Holdings PLC
Clive Garston	DAC Beachcroft LLP
Tim Goodman	Hermes Equity Ownership Services
Nick Graves	Burges Salmon
David Isherwood	BDO LLP
Nick Janmohamed	Speechly Bircham LLP
Colin Jones	UHY Hacker Young
Dalia Joseph	Oriel Securities Limited
Doris Ko	Aviva Investors
Claire Noyce	Hybridan LLP
James Parkes	CMS Cameron McKenna LLP
Julie Stanbrook	Hogan Lovells International LLP
Eugenia Unanyants-Jackson	F&C Investments
Melanie Wadsworth	Faegre Baker Daniels LLP
Cliff Weight	MM & K Limited

**Quoted Companies Alliance Financial Reporting Expert Group**

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Jack Easton	UHY Hacker Young
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Usman Hamid	Ernst & Young LLP
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James Lole	RSM Tenon Group PLC
Jonathan Lowe	Baker Tilly
Nigel Smethers	One Media Publishing
Chris Smith	Grant Thornton UK LLP
Ian Smith	Deloitte LLP
Matthew Stallabrass	Crowe Clark Whitehill LLP
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Nick Winters	RSM Tenon Group PLC