



# Grant Thornton

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Dear Ms Carter

**FRED 63: Draft amendments to FRS 101 Reduced Disclosure Framework 2015/16 Cycle ("the exposure draft")**

Grant Thornton UK LLP (Grant Thornton) welcomes the opportunity to comment on the above exposure draft.

**The specific questions raised in this exposure draft**

Our detailed comments on the specific questions set out in the exposure draft are included in an appendix to this letter.

**Notification to shareholders**

Although not part of this consultation, we encourage the FRC to consider the nature and extent of the requirements of paragraph 5(a) of FRS 101 requiring a qualifying entity to inform its shareholders in writing about the use of disclosure exemptions so as to give shareholders the opportunity to object to their use.

There is diversity in practice regarding both the timing of notification to shareholders and the methods used to communicate the notification. Forms of communication currently being used include RNS announcements where there is no guarantee that shareholders will see the notification. Furthermore, there is no clarity over what constitutes a reasonable timeframe for notification. Such diversity is most common when FRS 101 is applied to the individual accounts of listed parent companies which are attached to their group accounts. Practical difficulties also arise in scenarios where company shareholdings change - in such situations there is uncertainty over the frequency of communication required.

In light of the above, and given that previous UK GAAP already contained a number of disclosure exemptions for parent companies, we consider there is a case for the removal of this notification requirement and, if necessary, its replacement by a shareholder right to object. The current requirement is a reporting burden which adds to compliance costs and we are not convinced that the benefits outweigh those costs. In considering the issue it will be informative to gather data on the number of instances where there has actually been an objection from shareholders.

If such a change is not considered appropriate, then as a minimum we believe there is a strong need for greater clarification as to the way in which the notification process should be applied.

We therefore recommend that the FRC consult on this matter at the earliest available opportunity.

**Chartered Accountants**

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**Contact details**

If you have any questions regarding this response, please contact me or Neil Parsons (t: 0121 232 5385;E: [Neil.B.Parsons@uk.gt.com](mailto:Neil.B.Parsons@uk.gt.com))

Yours sincerely



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## Reponses to specific questions

### Question 1:

**The principles for determining whether disclosure exemptions from EU-adopted IFRS should be available in FRS 101 are set out in paragraph 9 of the Accounting Council's Advice. These are relevance, cost considerations and avoiding gold plating.**

**Qualifying entities have limited external users of the financial statements. These external users are likely to be providers of credit with a greater focus on information that supports the statement of financial position of the qualifying entity, when compared with detailed analysis of performance as required by some of the disclosures in IFRS 15 *Revenue from Contracts with Customers*. Do you agree?**

Yes, we agree with this approach and recommend that the Accounting Council applies this approach consistently to future amendments to FRS 101.

### Question 2:

**Do you consider that additional refinements could be made to the principles set out in paragraph 9 of the Accounting Council's Advice that, when applied, would help to increase further the cost-effectiveness of FRS 101?**

We agree with the principles set out in paragraph 9 of the Accounting Council's advice and do not believe that there is need for further refinement.

### Question 3:

**Do you agree with the proposed amendments to FRS 101? If not, why not?**

We agree with the proposed amendments to FRS 101 but we note a further area where Appendix II: Note on legal requirements should be updated.

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (SI2008/410 – "the regulations") require disclosures in relation to a company's turnover as follows<sup>1</sup>:

- turnover by each class of business; and
- turnover by each substantially different market.

If in the opinion of the directors disclosure would be seriously prejudicial to the interests of that company then that information need not be disclosed, but the fact that any such information has not been disclosed must be stated.

In order to help preparers, the note on legal requirements should include an additional paragraph that specifies the above requirements in sufficient detail.

### Question 4:

**In relation to the Consultation stage impact assessment do you have any comments on the costs and benefits identified? Please provide evidence to support your views of the quantifiable costs or benefits of these proposals.**

The amendments to FRS 101 contained in this exposure draft should help reduce future costs of compliance.

<sup>1</sup> Paragraph 68 to Part 3 of Schedule 1 to SI2008/410 - The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations