

Western Selection P.L.C.

Incorporated in England - No. 234871

Registered Office

30 City Road,
London EC1Y 2AG

Telephone 020 7448 8950

Facsimile 020 7638 9426

30 April 2012

Ms Michelle Sansom
Accounting Standards Board
5th Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN

Dear Ms. Sansom

Consultation on future financial reporting in the UK

Western Selection is a long established company specialising in investing in public and private SMEs alongside a blue chip investment portfolio. Our investments are not just confined to the UK and we therefore have had experience over the years of using accounts prepared under a wide variety of regulatory regimes.

I and my fellow directors have decades of investment experience and during that period the length of annual reports has increased phenomenally. We would like to see this process reversed so that we can spend less time processing information and more time analysing information. The draft UK standards appear to be heading in the right direction, however we feel that there is still room for substantial improvement. This opportunity to eliminate complexities in financial reporting should be grasped now, even though this will mean further divergence from IFRS. We have to spend considerable time when analysing IFRS accounts backing out accounting entries that do not flow from transactions entered into by a business, and we would like UK GAAP to minimise such adjustments.

The ASB does not appear to have considered how advances in computing could be best utilised in financial reporting. While there will continue to be a place for hard copy accounts for many years, it should be possible using iXBRL to develop accounts which can switch between historic cost and current cost reporting at the click of a mouse. There is a tension between these two styles of reporting (historic cost and current cost) that it is very hard to reconcile in traditional accounts; which are trying to be all things to all men and thus generating large amounts of data, much of which is seen as clutter, but where there is little common ground among users of accounts about which bits are clutter and which bits are useful data.

Our responses to the consultation questions are as follows:

QUESTION 1:

The ASB is setting out the proposals in this revised FRED following a prolonged period of consultation. The ASB considers that the proposals in FREDs 46 to FRED 48 achieve its project objective:

To enable users of accounts to receive high-quality, understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

Do you agree?

We do not agree with the objective as drafted. We think that this objective is too open to different interpretations. We prefer a more user centric focus similar to the objective set out in the Alternative View.

We find the proposals to be a partial solution, but would like to see much more complexity stripped out.

QUESTION 2

The ASB has decided to seek views on whether:

As proposed in FRED 47 a qualifying entity that is a financial institution should not be exempt from any of the disclosure requirements in either IFRS 7 or IFRS 13; or

Alternatively a qualifying entity that is a financial institution should be exempt in its individual accounts from all of IFRS 7 except for paragraphs 6, 7, 9(b), 16, 27A, 31, 33, 36, 37, 38, 39, 40 and 41 and from paragraphs 92-99 of IFRS 13 (all disclosure requirements except the disclosure objectives).

Which alternative do you prefer and why?

We think that there should be separate rules for financial institutions because of their wider opportunity to move financial instruments between short and long term categories. To minimise duplication there should be better co-ordination between regulators and accounting standard setters.

QUESTION 3

Do you agree with the proposed scope for the areas cross-referenced to EU adopted IFRS as set out in section 1 of FRED 48? If not, please state what changes you prefer and why.

There should be a commercial sensitivity opt out from segmental reporting so as not to damage shareholder value, but other than that we agree with the use of IFRS for these areas.

QUESTION 4

Do you agree with the definition of a financial institution? If not, please provide your reasons and suggest how the definition might be improved.

There should be one common definition of a financial institution that applies consistently across all areas of regulation.

QUESTION 5

In relation to the proposals for specialist activities, the ASB would welcome views on:

(a) Whether and, if so, why the proposals for agriculture activities are considered unduly arduous? What alternatives should be proposed?

(b) Whether the proposals for service concession arrangements are sufficient to meet the needs of preparers?

- (a) We question whether the fair value model is useful to users of accounts of agricultural businesses, in particular whether there is any benefit for the additional effort required to determine whether there is an appropriate fair value, and if so to use it. We would prefer to see historic cost accounting with appropriate descriptions of the fixed and current assets.

- (b) This question is flawed. It should be asking whether the standard meets the needs of users, not of preparers. Accounting standards should be principles based and not include guidance for specialist groups. If industry guidance is required this is best managed through SORPs, not through increasing the length of the rule book for everyone else.

QUESTION 6

The ASB is requesting comment on the proposals for the financial statements of retirement benefit plans, including:

(a) Do you consider that the proposals provide sufficient guidance?

(b) Do you agree with the proposed disclosures about the liability to pay pension benefits?

Yes

QUESTION 7

Do you consider that the related party disclosure requirements in section 33 of FRED 48 are sufficient to meet the needs of preparers and users?

Yes

QUESTION 8

Do you agree with the effective date? If not, what alternative date would you prefer and why?

Yes

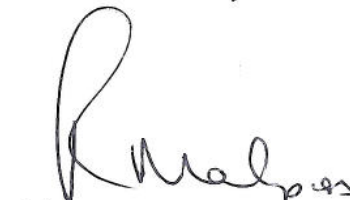
QUESTION 9

Do you support the alternative view, or any individual aspect of it?

Yes, wholeheartedly. Edward Beale is a fellow non-executive director at Western Selection plc.

If you would like to discuss any of the issues raised further, please do not hesitate to contact me.

Yours sincerely


Michael Robotham
Audit Committee Chairman