

London Finance & Investment Group P.L.C.

Incorporated in England - No. 201151

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

Dear Ms. Sansom

London Finance & Investment Group PLC is a Premium Listed UK company with a focus of investment in small but growing UK publicly quoted companies, on the Main Market, AIM or PLUS Markets. Unlisted investments are also considered from time to time, often as potential IPO candidates.

As a prolific user of accounts we are responding to the consultation on the future of UK financial reporting. We use accounts as part of our investment decision making process and for comparison of performance with peers. We judge the performance of businesses by their ability to generate more cash than is utilised in supporting such performance, on a sustainable basis, over the longer term. We increasingly have to make significant adjustments to reverse out technical accounting entries in order to be able to compare businesses based on incurred and anticipated cash flows. This is both time consuming and unproductive.

We welcome divergence from IFRS where this will reduce the adjustments that we have to make to identify cash flows.

Our responses to the consultation questions are:

- Q1 We do not think that the objective is set out clearly and prefer the wording set out in the Alternative View. While the objective as drafted in the majority view is capable of being interpreted in a manner that we agree with, it is also capable of being interpreted in ways that we do not agree with.

We interpret "high-quality" information as being information that users of accounts want, presented in a manner that is understandable. "Understandable" is just a subsidiary element of being "high quality".

"High-quality" could be misinterpreted as approaching some technical or theoretical view of perfection, whereas in our opinion the judgement of "quality" needs to be much more pragmatic.

Since the purpose of accounts is to provide users with information, we think that the objective should clearly give primacy to such a purpose.

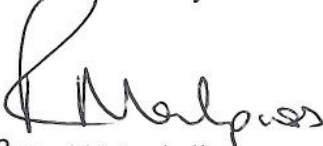
We consider that an objective drafted as outlined above would lead to a much clearer focus for the project and the elimination of much more complexity from accounts.

- Q2 We agree with the proposal that financial institutions reporting under FRS 101 should not be exempt from any of the disclosures in FRS 7 or IFRS 13.
- Q3 We agree that publicly traded companies reporting under FRS 102 should report earnings per share and operating segments, and prepare interim financial reports, using IFRS standards with the proviso that there should be an opt out from IFRS 8 where segmental reporting would be seriously prejudicial to the interests of shareholders. We do not want information to be published that would damage the value of our investment. This would be counter productive.
- Q4 All regulators should use the same definition of a Financial Institution.
- Q5 We agree with the Alternative View that Financial Institutions should be considered to be specialised activities. We do not support guidance as a substitute for clear principled standards and urge the ASB to resist calls for specific guidance. Where something is not clear from the standard, the standard needs to be improved.
- Q6 We support the proposals as drafted except that we are unclear about the status of the disclosures mentioned in paragraph 34.36. Are these requirements or best practice guidance?
- Q7 We agree with the proposed related party disclosures.
- Q8 We agree with the effective date, subject to prompt publication of changes to reflect the Alternative View.
- Q9 We support the Alternative View wholeheartedly. In fact, in questioning the accounting in only four different areas, it does not go far enough. The ASB's approach has been to start with the IFRS for SMEs and to justify deviating from it. While we agree that the IFRS for SMEs is a good starting point, and that there is no point in duplicating work already done by the IASB, we think that the ASB should have adopted the principle that good quality management accounts should be the basis for financial reporting and that these should be adjusted only where users' information needs require. As stated by the FRC in "Louder than Words": *"it is not sensible for regulators to make disclosure requests that require companies to reformat existing information in a slightly different way. And regulators should consider whether information that management doesn't need is actually useful."*

While this project has been proceeding for far too long now, we think that reductions in complexity as outlined in the Alternative View can be achieved quickly and should not delay FRS 102 substantially. If there are concerns about delays, the ASB can always issue FRS 100 and FRS 101 promptly and only delay FRS 102.

This response deals with the questions raised by the ASB. In addition, we have written to Baroness Hogg asking the FRC to consider the wider strategic and political implications.

Yours sincerely



pp David Marshall
Chairman