Financial Reporting Committee

Hans Hoogervoorst
Chairman
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

18 July 2014

Dear Hans

ED/2014/1 'Disclosure Initiative – Proposed Amendments to IAS 1'

We welcome the opportunity to comment on the above proposals.

Who we are

The 100 Group of Finance Directors represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent almost 90% of the market capitalisation of the UK FTSE 100 Index. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation. Whilst this letter expresses the views of The 100 Group of Finance Directors as a whole, those views are not necessarily those of our individual members or their respective employers.

Our views

We welcome the Board's 'Disclosure Initiative' project and we believe that the proposed amendments to IAS 1 provide useful clarification of the application of materiality to the presentation of information in the primary financial statements and disclosure in the notes and of the flexibility available to preparers in structuring the disclosures. We continue to believe, however, that preparers are not solely responsible for the 'disclosure problem' and that the Board and others need to show restraint and focus in prescribing presentation and disclosure requirements.

We set out in the Appendix to this letter our responses to the specific questions asked in the Exposure Draft.

Please feel free to contact me should you wish to discuss our comments.

Yours sincerely

Russ Houlden

Russ Houlden
Chairman
Financial Reporting Committee
The 100 Group of Finance Directors

APPENDIX

RESPONSES TO SPECIFIC QUESTIONS

<u>Question 1 – Disclosure initiative amendments</u>

The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement.

The proposed amendments relate to:

(a) materiality and aggregation (see paragraphs 29 -31 and BC1-8 of this Exposure Draft);

(b) statement of financial position and statement of profit and loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9-BC15 of this Exposure Draft);

(c) notes structure (see paragraphs 113-117 and BC16-BC19 of this Exposure Draft); and

(d) disclosure of accounting policies (see paragraphs 120 and BC20-BC22 of this Exposure Draft).

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

We welcome the 'Disclosure Initiative'

We believe that financial reporting is fundamentally an exercise in communication. We are increasingly concerned that important information in financial statements is in danger of being obscured by disclosures that are immaterial or irrelevant (or both). We therefore welcome the Board's 'Disclosure Initiative' project, since we believe that it is capable of arresting this trend and thereby enhancing the usefulness and understandability of financial statements.

We consider that the proposed amendments to IAS 1 provide useful clarification of the application of materiality to the presentation of information in the primary financial statements and disclosure in the notes and of the flexibility available to preparers in structuring the disclosures.

Preparers are not solely responsible for the 'disclosure problem'

We are, however, concerned that the Board seems to consider that the 'disclosure problem' arises largely from a lack of discretion on the part of preparers in applying the concept of materiality to disclosure requirements.

As we said in our comment letter on the Exposure Draft addressing the Conceptual Framework that was published last year (ED/2013/1), we believe that this represents only part of the problem. We believe that it stems in large part from the growing list of disclosures required by the Board in its Standards together with the fact that regulators and others are increasingly using the Annual Report as a repository for information considered important to users other than those defined in the Conceptual Framework.

We recognise that the Board has limited influence over other bodies but we re-iterate our request that the Board exercises restraint in its own Standards by specifying only those disclosures that it considers are likely to be material in relation to most entities.

Detailed comments

Use of materiality and similar terms

We find that the term 'material' and related terms such as 'significant', 'key' and 'critical' are not used consistently within the Conceptual Framework and IFRSs. We recognise that the Board is considering the use of such terms as part of its 'Materiality' project and intends to clarify when an accounting policy should be considered to be 'significant'. We recommend that the Board ensures that the definition of 'material' contained in IAS 1 will be consistent with the definition contained in the Conceptual Framework.

Presentation or disclosure

We agree with the definitions of the terms 'present' (line items in the primary financial statements) and 'disclose' (information presented in the notes) that is set out in paragraph BC7. We note, however, that these terms are used interchangeably in those paragraphs of IAS 1 that are not subject to amendment. We recommend that the Board ensures that these and other terms are used consistently throughout IAS 1, i.e. not just in those paragraphs that are subject to these narrow-scope amendments.

Reconciliation of sub-totals

We note that draft paragraph 85B would require that "An entity shall reconcile any sub-totals presented in accordance with paragraph 85 to the sub-totals or totals required by this IFRS......". We consider that this paragraph is largely redundant since IAS 1 requires very few totals or sub-totals to be presented in the primary financial statements.

Order for the notes

We suggest that paragraph 114 (which suggests an order for the notes to the financial statements) should precede paragraph 113A (which suggests that preparers may arrange the notes in other ways).

Use of cross-referencing

With regard to the use of cross-referencing discussed in paragraph 115, we note that the Board states that "An entity shall cross-reference each item presented in the [primary financial statements] to any related information in the notes". We are concerned that this may give rise to increased circular cross-referencing. We believe that cross-referencing should be required only when the reference is to disclosure that analyses or augments information presented in the primary financial statements (or in other notes) and suggest that the Board re-drafts paragraph 115 on that basis.

Question 2 – Presentation of items of other comprehensive income arising from equity-accounted investments

Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments (see paragraphs 82A, BC1-BC6 and the Guidance on implementing IAS 1)?

If not, why and what alternative do you propose?

We agree with the proposed presentation

We agree with the Board's proposal to clarify that the share of items of other comprehensive income arising from equity method investments should be shown in aggregate (rather than presented separately by nature) and differentiating between items that may or will not be subsequently reclassified to profit or loss. We consider that this aggregate presentation to be consistent with the aggregate presentation of the share of profit or loss from equity method investments in profit or loss.

We suggest amendments to the illustrative examples

We are concerned that the presentation of the illustrative examples in Part I of the Guidance to IAS 1 could lead to confusion with regard to the presentation and disclosure of tax on other comprehensive income of equity method investments. We therefore recommend that in the examples the statement of comprehensive income is amended as follows:

a) to state that the share of other comprehensive income of equity method investments is after tax effects; and

b) to position the share of other comprehensive income of equity method investments (after tax effects) after income tax relating to items of other comprehensive income relating to the parent and its subsidiaries.

We further recommend that paragraph 90 of IAS 1 should be amended to made it clear that the amount of tax relating to each item of other comprehensive income of equity method investments should not be presented either in the statement of other comprehensive income or in the notes

For absolute clarity, we suggest that in addition to showing the presentation of the share of items of other comprehensive income of equity method investments that may be subsequently reclassified to profit or loss the illustrative examples should also show the presentation of those items that will not be reclassified to profit or loss.

We suggest that the Board considers consistency of presentation in profit or loss

We are concerned that the presentation suggested by the illustrative examples of the share of the profit or loss of equity method investments causes the share of profit or loss after tax of equity method investments to be included in arriving at profit before tax. We believe that this gives rise to an illogical result that could be misleading to users. We therefore suggest that the Board addresses this issue in finalising the amendments to IAS 1.

We suggest that the share of profit or loss of equity method investments should be presented after the profit or loss for the year of the parent and its subsidiaries in arriving at profit or loss for the year from continuing operations. Of course, if an equity method investment was classified as a discontinued operation, the share of its profit or loss would be included in the profit or loss for the year from discontinued operations. We believe that this presentation would be consistent with the proposed presentation of the share of other comprehensive income of equity method investments.

Entities that wish to present segment information and alternative performance measures including, for example, their share of the operating profit of equity method investments would continue to be free to do so.

Question 3 – Transition provisions and effective date

Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this Exposure Draft (see paragraphs 139N and BC23-BC25)?

If not, why and what alternative do you propose?

We agree that no transition provisions are necessary since the proposed amendments have no impact on recognition or measurement in the financial statements and are intended to clarify the existing requirements in IAS 1.