



**The Hundred Group**  
of Finance Directors

## Investor Relations and Markets Committee

Website submission: [clutter@frc.org.uk](mailto:clutter@frc.org.uk)

Mr Roger Marshall  
Chairman  
Accounting Standards Board  
5th Floor, Aldwych House  
71-91 Aldwych  
London WC2B 4HN

30 September 2011

Dear Mr Marshall

### **CUTTING CLUTTER: COMBATING CLUTTER IN ANNUAL REPORTS**

We welcome the FRC's initiative in seeking ways to cut clutter in Annual Reports and are pleased to be able to contribute to the debate.

#### **Who we are**

The Hundred Group is a non-political, not-for-profit organisation which represents the finance directors of the UK's largest companies, with membership drawn mainly, but not entirely, from the constituents of the FTSE100 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 view of The Hundred Group of Finance Directors as a whole, they are not necessarily those of our individual members or their respective employers.

#### **Our views**

As Directors of the UK's largest listed companies, we recognise the importance of having clear, balanced and focussed communication with stakeholders. The Annual Report is the primary tool for communicating the historic performance of a company as this provides an annual and retrospective appraisal of performance, so it is a shame that many of our members report that over recent years, the proliferation of disclosures from a range of regulatory authorities has led to a doubling of the number of pages in some Annual Reports, whilst at the same time the number of shareholders who wish to receive a copy has halved.

The Cutting Clutter report rightly recognises that the key obstacles to reform lie with the number of different parties involved in overseeing the financial statements. One of the concerns we have as preparers, is that over recent years the Annual Report has become 'all things to all men' with a number of bodies lobbying for increased disclosure: disclosure is seen as the panacea to a number of current stakeholder concerns in the belief that bolting on additional pieces of information enhances the user's understanding of the financial information. It does not, and indeed only serves to obscure the key messages.

If any progress is to be made in addressing the proliferation of disclosures, it will be important to establish which body will act as the 'gatekeeper' to the Annual Report. i.e. who has the final say as to what the regulated content needs to be. We see a key role for the FRC in this regard, although note that recent proposals for Audit Committees to publish their own reports is another example of seeking to expand rather than streamline the Annual Report – we can't help but feel that the invitation to boiler plate these disclosures will be too hard to resist in many cases.

The Report also provides some useful examples of clutter that could be considered for removal from the financial statements, however we think that the time has come for a more radical overhaul of the disclosure regime. We note the recent joint report by the Institute of Chartered Accountants of Scotland and the New Zealand Institute of Chartered Accountants, *Losing the Excess Baggage – Reducing Disclosures in Financial Statements to What's Important*, which makes proposals that could reduce the length of financial statements by an estimated 30%. We hope that the findings of this report will be embraced by the FRC, and in particular by the Financial Reporting Review Panel and the Audit Inspection Unit, as demonstrating the art of the possible.

We are supportive of the FRC's proposed Financial Reporting Laboratory, although have a concern that it may lead to more and not less disclosure, at least over the short term. Rather than taking on piecemeal studies, a worthwhile project for this body would be to present a set of financial statements using the principles contained within the ICAS / NZICA report as it may help to provide a model to inform the extent and quality of company reporting in a relatively short timeframe, a move which our Members would welcome.

Please feel free to contact me if you wish to discuss the views contained within this letter.

Yours sincerely

**Robin Freestone**

*Chairman*

*Hundred Group: Investor Relations and Markets Committee*