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Our ref: 01/JCC/FRED 56: Draft
FRS 104 Interim
Financial Reporting
(November 2014)

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Dear Susanne,

FRED 56: Draft FRS 104 Interim Financial Reporting (November 2014)

We are pleased to have the opportunity to comment on the Exposure Draft "FRED 56: Draft FRS 104 Interim Financial Reporting (November 2014)".

We are supportive of the FRC's proposals to withdraw the existing guidance on preliminary announcements and interim reporting and for the proposal to issue new guidance on interim reporting as set out in draft FRS 104.

We do, however, have some concerns over the inconsistency of the approach to IFRSs adopted in draft FRS 104 compared to that adopted in FRS 101 and believe that draft FRS 104 should also have included the appendices to IAS 34. Finally, we believe that there may be some merit in extending the scope of draft FRS 104 to include preliminary announcements and to include some brief guidance on the narrative information that accompanies the interim financial statements.

Our detailed responses to the questions raised in the Exposure Draft are set out in the attached appendix.

Yours sincerely,

Nicole Kissun

BDO LLP
Nicole Kissun
Partner
For and on behalf of BDO LLP



Appendix: Responses to the questions raised in the Exposure Draft**Question 1: Do you agree with the proposal to withdraw the Statement *Preliminary announcements* issued by the Accounting Standards Board (ASB) in 1998? If not, why not?**

Yes, we agree with the proposal to withdraw the Statement *Preliminary announcements* issued by the Accounting Standards Board (ASB) in 1998.

We agree that, for the reasons indicated in FRED 56, the “do nothing” approach is not a viable option. If the FRC finds that there is a need for guidance on the content of preliminary announcements, the 1998 pronouncement must be updated.

We note that Listing Rule 9.7A.1 specifies the information required in a preliminary announcement of a company that has a premium listing of equity shares. For other listed companies, we agree that market practice is determined by other means such as the information published by peers or the demands from stakeholders, rather than by reference to the ASB Statement *Preliminary announcements*. Consequently, we do not believe that seeking to formalise market practice in new guidance would be an effective use of the FRC’s time.

We note that, although Listing Rule 9.7A.1 sets out expectation regarding the content of a voluntary preliminary announcement issued by a premium-listed company, there is no similar guidance for other listed companies (eg AIM-listed companies and companies with a standard listing on the London Stock Exchange). Given that Listing Rules indicate that a voluntary preliminary statement of premium-listed company “...must show the figures in the form of a table, including the items required for a half-yearly report...” (ie broadly, it must include information that is consistent with the requirements of IAS 34), the FRC might consider it appropriate to expand the scope of draft FRS 104 to include the preliminary announcements of these other listed companies in order to try to encourage greater consistency in the level of information included in them.

Question 2: Do you agree with the proposal to withdraw the Statement *Half-yearly financial reports* issued by the ASB in 2007 and replace it with interim financial reporting requirements based on IAS 34 *Interim Financial Reporting* as proposed in draft FRS 104 *Interim Financial Reporting*? If not, please give your reasons and propose an alternative approach.

Yes, we agree with the proposed approach to withdraw the Statement *Half-yearly financial reports* and to replace it with interim financial reporting requirements based on IAS 34 *Interim Financial Reporting*.

Whilst draft FRS 104 *Interim Financial Reporting* does not itself mandate which entities should publish interim financial reports, the reference in DTR 4.2.10(4)(b) to “pronouncements on interim reporting issued by the Accounting Standards Board” necessitates the publication of revised guidance.

We consider the level of disclosure required by IAS 34, and the other guidance included in it, to be suitable for all listed companies (including those not within the scope of FTR 4.2). Consequently, we agree that it is appropriate to base the FRC’s revised guidance on the requirements of that standard.

Question 3: Draft FRS 104 proposes amendments to the reporting requirements in IAS 34 in order to adapt them for use by entities that apply FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* to prepare the annual financial statements. The Accounting Council's Advice to the FRC to issue FRED 56 highlights the key changes. Do you agree with the proposed amendments? If not, please give your reasons.

We agree with the majority of the proposed amendments to the reporting requirements in IAS 34. We are not, however, clear why the FRC has decided to exclude Appendix A and Appendix B of IAS 34 from the draft FRS 104. We believe that the inclusion of this guidance (amended for any differing requirements of FRS 102 as appropriate) is necessary in order to ensure the consistent application of the final standard and IAS 34. We do not think it is appropriate to assume that a user of FRS 104 should/will refer to application guidance in IAS 34 when preparing an interim report.

Question 4: There may be a small number of entities that are required to prepare interim financial reports and apply FRS 101 *Reduced Disclosure Framework* to prepare the annual financial statements. Paragraph 3A of draft FRS 104 requires that these entities should read references to FRS 102 in draft FRS 104 as the equivalent requirements in EU-adopted IFRS as amended by paragraph AG1 of FRS 101. Do you agree with this proposal? If you believe further changes are necessary to enable these entities to apply draft FRS 104 please state your recommendations and reasons for your proposal.

Whilst we accept that the approach adopted by the FRC is a workable solution, we are concerned that its approach to IFRSs is different to that taken in FRS 101.

Under the approach currently adopted by the FRC, changes to IAS 34 will not be reflected in this UK GAAP equivalent until the FRC amends FRS 104. Conversely, with the approach taken in FRS 101 changes to IFRSs apply to FRS 101 adopters until such time as FRS 101 is amended to exempt preparers from some or all of these new requirements. We believe that draft FRS 104 should have taken the same approach to IAS 34 as FRS 101 takes to IFRSs more generally and referred FRS 101 adopters to the requirements of IAS 34, except for certain specified requirements.

Question 5: Do you agree that applying draft FRS 104 will result in useful information for users of interim financial reports? If not, what additional disclosures should in your view be included or which disclosures should be removed? Please give your reasons.

Yes, we agree that the application of draft FRS 104 will result in useful information for users of interim financial reports.

Whilst we understand the Accounting Council's position described in paragraphs 16 and 17 of its Advice to the FRC, we observe that there can be a great range in the level and nature of narrative information included in an interim statement of a company that is not within the scope of DTR 4.2.7. In particular, we note that draft FRS 104's requirements are focussed on historical financial information and lack any reference to non-financial information or forward-looking, risk-related information. We believe that there may be some merit to the inclusion of some guidelines in this area.