



By email to: ukfrs@frc.org.uk

Susanne Pust Shah
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8 January 2015

Dear Madam

FRED 56 – Draft FRS 104, ‘Interim Financial Reporting’

We welcome the opportunity to comment on the proposed FRS 104, ‘Interim Financial Reporting’. Our responses to the questions asked by the FRC and other comments are given below.

Q1 – 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 by listed companies are voluntary, but are subject to regulation through the Listing Rules. LR 9.7A.1 defines the contents and purposes of preliminary announcements and reference to disclosures in half yearly reports. Therefore we consider that there is no longer a requirement for this Statement.

Q2 – 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 proposal to withdraw the Statement and replace it with draft FRS 104. Draft FRS 104 is consistent with revised UK and Irish reporting principles that are based on IFRS. Having a Financial Reporting Standard provides a more robust framework for publishing high-quality understandable financial reporting compared with a voluntary statement.

See the response to Question 3 below for further consideration of the proposals.

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Q3 – 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 that it is appropriate to amend the reporting requirements in IAS 34 for use by entities that apply FRS 102. This is subject to the following matters:

- (a) IAS 34 includes three appendices which provide illustrative examples in respect of
 - a. Illustration of periods required to be presented (Appendix A);
 - b. Examples of applying the recognition and measurement principles (Appendix B); and
 - c. Examples of the use of estimates (Appendix C).

These examples provide guidance under the principles of IAS 34. It is likely that entities applying FRS 104 would benefit from these or similar appendices. Without such appendices it is likely that guidance in IAS 34 will be used (which has not been updated in line with FRS 102’s principles).

- (b) The draft standard limits the requirement for disclosures of changes in business or economic circumstances that affect the fair value of financial instruments to be applied when assets are measured at fair value (FRS 104p15(h)). Under IAS 34 these disclosures are required whether the financial instrument is valued at fair value or amortised cost. In addition the disclosure requirement in IAS 34 paragraphs 15B (j) and (k), which relate to the transfer between levels of the fair value hierarchy and changes in the classification of financial assets, has also been deleted. This information may be relevant for users of interim financial information prepared for ‘financial institutions’, as defined under FRS 102.
- (c) The standard includes a nine page glossary to FRS 104 which is a different, updated version of the Glossary in FRS 102. It may be more appropriate for a single glossary to apply to all UK financial reporting standards and only incremental definitions be added in specific standards.

Q4 – 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 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 104 please state your recommendations and the reasons for your proposal.

Yes, we agree with the proposal. It may be considered that such entities should follow IFRS, however it would seem more appropriate for relevant interim disclosures to be addressed in FRS 104, as FRS 101 financial statements are not financial statements prepared under the IFRS framework.



Q5 – 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 consider that the disclosures in draft FRS 104 will provide useful information for users. These disclosures will, in the main, be consistent with those provided by IFRS reporters. We do not consider that UK GAAP should require the provision of information over and above that required in IFRS financial statements.

The overriding goal of FRS 104 is *'to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the period'* (draft FRS 104 para 25). We believe that there is sufficient flexibility in applying the disclosure and materiality requirements of draft FRS 104 to meet the needs of users.

Please contact Katie Woods (katie.woods@uk.pwc.com) or Peter Hogarth (peter.hogarth@uk.pwc.com) if you would like to discuss the contents of this letter.

Yours faithfully,

A handwritten signature in black ink that reads "Peter Hogarth" followed by "PricewaterhouseCoopers LLP". The signature is written in a cursive, slightly slanted style.

PricewaterhouseCoopers LLP

