



DRAFT 104 INTERIM FINANCIAL REPORTING

ICAEW welcomes the opportunity to comment on *FRED 56 Draft FRS 104 Interim Financial Reporting* published by the Financial Reporting Council (FRC) in November 2014, a copy of which is available from this [link](#).

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MAJOR POINTS

Support for the initiative

1. ICAEW welcomes the Financial Reporting Council's (FRC) consultation on interim financial reporting requirements. With the introduction of the new UK GAAP, there was a need to update the previous ASB Statement *Half-yearly financial reports* to reflect, where necessary, the changes introduced by the new UK financial reporting regime. With the new UK GAAP effective from 1 January 2015, it will be important for the FRC to issue the final requirements without undue delay.
2. We support the proposed replacement of the ASB Statement *Half-yearly financial reports* with the proposed FRS 104 *Interim Financial Reporting*, and the decision to base the new requirements on IAS 34 *Interim Financial Reporting*. However, we do have some general comments as set out in questions two and three below.

RESPONSES TO SPECIFIC QUESTIONS

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?

3. Yes, we agree with the proposal to withdraw the ASB Statement *Preliminary announcements*.

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.

4. Overall we support the proposal to replace the ASB Statement *Half-yearly financial reports* with the proposed FRS 104, based on IAS 34. However, we are aware of some concerns that FRS 104, as it stands, might be interpreted by some as imposing or encouraging the imposition of mandatory reporting requirements for interim reports that are not the half-yearly financial reports required by listed companies by the Disclosure and Transparency Rules (DTRs).
5. The reasons for this concern appear to be twofold. Firstly, while the ASB Statement refers to 'half-yearly financial reports', draft FRS 104 refers to 'interim financial reporting', perhaps suggesting a wider application. Secondly, the proposed requirements have been issued with the status of a 'financial reporting standard' as opposed to a 'statement', which might imply or encourage wider mandatory application.
6. Notwithstanding these concerns, it is our understanding that FRS 104 would be **mandatory only** for those UK issuers who report under UK GAAP and are required to prepare a half-yearly report by the DTRs. Although FRS 104 may also be applied in the preparation of other interim financial reports, if permitted under applicable law and regulation, this would be entirely voluntary. We are satisfied on this basis that FRS 104 would not impose or encourage additional mandatory reporting requirements in relation to other types of interim financial reports or a wider range of reporters, but the FRC might explain more clearly than it has done why this change is being made and clarify for the avoidance of doubt that there is no intention to encourage more frequent or extensive interim reporting in the UK.
7. We would nonetheless prefer on balance that these requirements have a status less than a financial reporting standard. As noted above, the current status may suggest a wider mandatory application than is in fact the case. Furthermore, taking this approach would require the FRC to amend the definition of a financial reporting standard in the Forward to Accounting Standards. In our view, a simpler approach would be to simply reclassify these requirements as recommendations, with a clearly defined scope and (as currently drafted) reference to the

fact that they constitute the 'pronouncement on interim reporting issued by the Accounting Standards Board' referred to in the DTRs. The fact that the equivalent international guidance is set out in a standard should not influence the approach of the UK in this regard.

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.

8. In our view, it would be advisable to keep any differences from IAS 34 to an absolute minimum. It is not apparent from the consultation document what principles were applied by the FRC when deciding which paragraphs to delete when developing FRS 104 or the reasons for not including the illustrative examples. While a few sections of IAS 34 would most certainly not be relevant to FRS 104, further differences may result in confusion, particularly given that users of FRS 104 are likely to be familiar with international financial reporting requirements.

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.

9. We have not identified any additional changes needed to enable those entities applying FRS 101 in the annual financial statements to prepare, when required, an interim financial report in accordance with FRS 104.

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.

10. Subject to our comments outlined above, we believe that application of FRS 104 would result in useful information for users of interim financial statements.