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Dear P. Fitzgerald & A. Colban,

Consultation: Improving the Quality of Reporting by Smaller Listed and AIM Quoted Companies

MAH, Chartered Accountants currently prepare IFRS accounts and consolidations for 9 plcs, mainly currently or formerly listed on AIM. These are then audited by independent auditors. We welcome the opportunity to make a response to your consultation document.

Please find our responses to your questions below:

1) To what extent do you recognise and agree with the issues raised in the report regarding the quality of reporting by smaller quoted companies?

Corporate Reporting Review

In our experience we have found that management at AIM plcs are often hard pressed for time and focus their efforts on the Chairman's and Chief Executive's Statements. The NOMAD and PR advisors will also spend a lot of time on these documents as it's the front end that investors are thought to read. The Directors' and Strategic Reports don't normally seem to be subject to the same level of scrutiny and may not change much year to year, apart from the auditors. If we're preparing these for the first time, we'd normally start with the risks disclosed in the Admission Document, but it can be difficult to update these year on year without the input of other advisors or management, who may not have realised their importance to investors, which you have identified.

Cashflow statements

One potential cause for the problems could be that audit programmes and disclosure checklists may not require much work on cashflow statements so it may be that not enough time is spent on them. Companies may also not have realised their importance to investors.

Accounting policies

We agree that it can be tempting and quicker to use boilerplate disclosures. We would certainly ensure we investigate this area on accounts that we prepare ourselves and greater education about their importance is vital to obtain the support of management.

Relevant reporting standards and requirements

Although it's true that those responsible for financial reporting find it difficult to keep up to date and have trouble with complex accounting issues such as share option and directors remuneration, some CFOs and FDs have engaged us to prepare their IFRS consolidated accounts to overcome this problem.

We agree that some accounts are simply too long and may contain irrelevant information for smaller companies, for example lengthy disclosures on financial instruments. However, as long as these disclosures are required by IFRS and are listed on disclosure checklists they'll continue to be included.

We agree that although IFRS can be complex for first time preparers, there are a lot of advantages for our clients who are international groups and use IFRS for their subsidiaries.

2) Do you consider that the actions proposed are (i) a proportionate response to the issues identified; and (ii) an adequate response to the issues identified?

The actions appear to be proportionate and an adequate response to the issues identified. The focus on educating the different parties and stakeholders is important.

In addition, the FRC could potentially consider issuing a bulletin or practice note specifically aimed at guiding audit firms of AIM listed and similar plcs (for example Bulletin 2011/2 and Practice Note 21 provide a lot of guidance for financial services audits). This could address some of the problems highlighted in the consultation and suggest audit procedures, for example detailed sections on auditing cashflow statements and accounting policies etc as these have greater prominence for listed companies compared to private company audits and may not be adequately covered by audit programmes. Whereas fully listed plcs are mainly audited by a handful of large auditors, a significant proportion of AIM auditors appear to be outside of the Top 10 and may be reliant upon standard audit programmes rather than having their own bespoke audit systems/programmes.

Thank you for taking the time to read our response and please do not hesitate to get in touch if you require further information.

Yours sincerely,



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