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The Association of
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Dear Ms Shah

FRED 56 – DRAFT FRS 104 – INTERIM FINANCIAL REPORTING

The Association of Accounting Technicians (AAT) welcomes the opportunity to respond to the Financial Reporting Council (FRC) consultation document on FRED 56 – Draft FRS 104 ‘Interim Financial Reporting’ published in November 2014. AAT has responded to the questions posed in the consultation paper in turn below, but also has some overall observations.

General comments

AAT considers that it is essential for FRS 104 to be finalised as soon as possible following the closure of the consultation. Entities with publicly traded securities that are adopting FRS 102 with effect from 1 January 2015, for instance companies listed on ISDX¹ with a December year end, will need to prepare their first set of interim financial results under FRS 104 shortly after 30 June 2015.

Given that the consultation period does not finish until 12 January 2015 and subsequent to the consultation closure FRC will need time to consider the responses received which will leave little time for entities affected to get to grips with the new requirements. While we can hope that many such entities will have properly prepared for the adoption of FRS 102 over the period since its release, this cannot be guaranteed. Releasing the final version of the Standard as soon as practicable will assist such entities in making the transition. We see this as being particularly beneficial in respect of the required preparation of reconciliations from old UK GAAP to FRS 102 that will have to be published in their interim financial results

AAT notes that the FRC has a target release date for the final Standard of the first quarter of 2015 and we believe it is important this is adhered to for the reasons stated above.

¹ ICAP Securities & Derivatives Exchange (ISDX) is a London based stock exchange providing UK and international companies with access to European capital through a range of fully listed and growth markets.

While AAT does not question why the FRC has not sought to address the issue of interim financial reporting for entities adopting FRS 102 at an earlier stage, we do accept that there are likely to be relatively few entities that will actually adopt it given that most AIM² and indeed many ISDX companies adopt full IFRS.

AAT agrees that addressing the issue of interim reporting in a separate Standard is a better solution than incorporating a separate section into FRS 102. AAT also agrees that, unlike certain other issues relevant to publicly traded companies, such as segmental reporting and earnings per share, it cannot be dealt with appropriately by way of cross reference to IFRS.

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, AAT agrees that the Statement is obsolete and should therefore be withdrawn.

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.

AAT supports the proposal.

Entities preparing their full financial statements under IFRS that are either required, or elect, to prepare interim financial reports in practice simply follow the requirements of IAS 34 (and where relevant the rules of the relevant securities exchange as applied to interim reporting). There is no need for additional guidance for such entities, however there is a need for guidance for entities adopting FRS 102 that are either required to prepare interim reports (e.g. companies listed on ISDX) or choose to do so voluntarily.

A Standard based on FRS 102 is far more relevant to such companies than one based on an international accounting standard that they do not need to apply and which derives from a financial reporting framework that, whilst it underpins FRS 102, is also not directly applicable to them.

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.

AAT supports the proposed amendments, which we see as being both practical and grounded in common sense, for instance requiring disclosure of business combinations in accordance with section 19 of FRS 102 rather than IFRS 3. Similarly, the illustrative examples in IAS 34 would not be relevant. Although, we do believe it would be worth FRC considering including illustrative examples for a company reporting under the new Standard for the first time. This would be particularly helpful as entities will need to provide reconciliations between old UK GAAP and the new UK financial reporting framework in their first set of interim financial information prepared under FRS 104.

² Alternative Investment Market ([AIM](#))

Q4) There may be a small number of entities that are required to prepare interim financial reports and apply FRS 102 *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.

AAT believes that the publication of interim financial information by entities adopting FRS 101 *Reduced Disclosure Framework* is likely to be minimal in practice although it is recognised that in some limited circumstances – e.g. companies with listed debt that are subsidiaries of larger listed organisations – some entities may be required to prepare interim financial information and also be able to adopt FRS 101. Therefore AAT agrees that there is a need for guidance for such entities.

Providing such guidance by cross reference to EU-adopted IFRS is not ideal, but given the circumstances and the small number of entities to which it is likely to apply, AAT accepts that it is a practical solution.

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.

AAT agrees that applying FRS 104 will produce useful information for the users of interim reports.

About the AAT

AAT is a professional accountancy body with over 49,800 full and fellow members and 87,700 student and affiliate members worldwide. Of the full and fellow members, there are 4,100 Members in Practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types. (Figures correct as at 30 November 2014)

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Further engagement

We hope that our comments are useful to you. If you have any questions or would like to discuss any of these points in more detail then please contact the AAT at:

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Yours sincerely

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