

## FRED 56

### Draft FRS 104

### Interim Financial Reporting

Submission from The Association of Investment Companies

The Association of Investment Companies (AIC) welcomes the opportunity to respond to FRED 56, the FRC's draft FRS 104, Interim Financial Reporting.

The AIC is the trade body representing almost 350 investment companies, managing assets of around £110 billion. Our members are closed-ended investment companies, most of which are listed on the London Stock Exchange. Their business is to invest in a diversified portfolio of shares and securities, property and other assets to provide returns for their shareholders. The AIC is recognised by the FRC as a SORP-making body.

Around 250 of our members are either investment trusts or venture capital trusts, which manage assets of around £78 billion. The vast majority of these prepare their financial statements in accordance with UK Financial Reporting Standards and will therefore be subject to the proposed FRS 104. As such, our members represent a significant number of those that will be affected by the proposed FRS 104 as the majority of listed companies, excluding our members, prepare their accounts under International Accounting Standards.

In response to the questions posed in FRED 56:

- Question 1 – the AIC supports the proposal to withdraw the Statement *Preliminary Announcements* issued by the ASB and we **recommend** that this proposal is adopted.
- Question 2 – paragraph 16A (j) requires certain disclosures for financial instruments measured at fair value. The AIC does not support inclusion of this within interim financial reports. In our view, the additional requirements do not provide a significant benefit to shareholders.

Paragraph 16A (j) requires analysis on a subset of financial assets and financial liabilities, namely those using a valuation technique. The rationale for adopting this approach in UK Financial Reporting Standards is unclear. As a matter of principle, new accounting rules should only be introduced if there is a clear reason to do so and they are proportionate to the size and complexity of the entity and users' information needs. This is in line with the UK's general approach to adopting new accounting rules. Therefore we **recommend** that this paragraph be removed. Moreover, should companies consider this information to be appropriate for their shareholders, such disclosures could be made on a voluntary basis.

The AIC supports the proposal to withdraw the Statement *Half-yearly financial reports* issued by the ASB and replace it with the proposed draft FRS 104 *Interim Financial Reporting* and **recommend** this proposal is adopted.

- Question 3 – the AIC supports the proposed amendments to the reporting requirements in IAS 34 in order to adapt them for use by entities applying FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and **recommends** that these amendments are adopted.
- Question 4 – the AIC considers it unlikely that our members will prepare annual financial statements under FRS 101 *Reduced Disclosure Framework*. As such we have no comments on these proposals.

- Question 5 – as set out above, the AIC does not support the inclusion of paragraph 16A (j) and we **recommend** that this paragraph be removed.

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**To discuss the issues raised in this paper please contact:**

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