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The Financial Reporting Council,
8th Floor,
125 London Wall
London
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Dear Sirs

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

I write with reference to the above report and following my attendance at the meeting on 9 July 2015. I apologise for the delay in my response which is due to recent holidays and hope that my comments will still be of use to the FRC.

Given my recent experience my comments are specifically targeted at the challenges faced by AIM quoted companies.

Regulatory environment

AIM quoted companies are lightly regulated with the primary responsibility being taken by the Nomad.

In substance this is self-regulation and much is dependent on the approach taken by the companies and their legal advisers.

Therefore it is important that there is an effective reporting process with the Annual Report being core to this.

Nature of smaller listed and AIM quoted companies

The AIM market has attracted a diverse range of companies and provides a cost effective way of raising finance and broadening a company's shareholder base. It also gives an important stepping stone to a full listing for growth companies.

There needs to be an effective reporting regime to ensure that shareholders receive reliable and timely information on the financial and commercial performance of their business. Companies must acknowledge that there are obligations arising from an AIM quotation with the quality of reporting being one of the more important.

To ensure compatibility within the financial markets the reporting should be IFRS based although the disclosure requirements should be relaxed for less material areas such as financial instruments where appropriate.

There should be a focus on narrative reporting of business performance and objectives with a continuing emphasis on this being fair, balanced and understandable.

Professional staff

To meet the reporting requirements AIM companies must embrace the need to have adequately experienced finance staff. There should be a requirement for a core competence which companies should meet although this does not need to be through the direct employment of staff. The use of advisers or consultants should be allowed.

Auditor assistance and independence

Auditors can maintain their independence and be able to provide more proactive advice. They should become more involved in the reporting process for their smaller clients but must continue to take account of the difference between management activities and professional advice.

Auditors should use the experience gained across their client base to enhance reporting processes generally and assist in the development of best practice.

Use of the annual report

An effective Annual Report is a significant investment of both time and money. Although primarily a means of communicating with shareholders, it also has a more strategic use in communication with stakeholders such as suppliers, employees and customers. Very often it is the only corporate document produced on a regular basis and needs to effectively communicate with all stakeholders.

This broader use needs to be taken into account when preparing the Annual Report and is a major driver in making reporting more understandable and reducing clutter.

I believe that all users require an Annual Report which gives a fair indication of a company's financial position and activities. This must be taken into account when developing the outline framework.

Overall I believe that there should be a strong reporting regime for AIM quoted companies although materiality should be applied to make the reporting more understandable. Narrative reporting should be further developed as this is the most effective way of communicating performance to non-technical readers.

As well as the FRC there is a need for the LSE to play a role in improving the quality of reporting and thus improvements should be driven jointly with changes to the underlying AIM rules where necessary.

If you wish to discuss my comments further please let me know.

Yours faithfully

DAVID LLOYD