

# SUMMARY MINUTES

**MEETING OF:** THE INVESTMENT CIRCULARS SUBCOMMITTEE  
OF THE AUDITING PRACTICES BOARD

**DATE AND TIME:** Tuesday 26 July 2011, at 9.30 a.m.

**PLACE:** Aldwych House  
71-91 Aldwych  
London WC2B 4HN

**PRESENT:**

<b>Members</b>	T. Troubridge (Chairman)	Y Allen ( <i>alternate for M. Howell</i> )
	D. Cattermole	K. Desmond
	S. Hextall	P. Lee
	R. Nolan	S. Nyman
	I. Pickering	J. Ward

**Observers** M. Grabowski (Executive Director, APB)  
O Sattar (FSA)

**Staff** S. Leonard

**APOLOGIES:**

<b>Members</b>	L. Gallagher	M. Howell
	M. Lomers	

**1. Chairman's introduction**

The Chairman welcomed members to the twenty fifth meeting of the Sub-committee. Unfortunately Mr Howell was unable to attend the meeting and the Chairman welcomed Ms Yvette Allen who was attending in his place.

The Chairman noted recent correspondence with the staff of the Takeover Panel regarding potential changes to the Takeover Code that would require reporting accountants to report on Quantified Effects Statements (commonly referred to as Merger Benefit Statements). The staff of the Takeover Panel had indicated that they would support the development of a SIR by the APB on public reporting by reporting accountants on such statements. However, the Panel was not yet in a position to provide feedback on its Consultation Paper that had discussed this issue. Members of the Sub-committee expressed a willingness to develop a SIR on Quantified Effects Statements once more definite proposals for a Rule change requiring them emerges from the Panel.

Mr. Marek Grabowski commented on the APB's plans to update the ESRA. He noted that the APB would discuss this at its forthcoming away-day. The timing of any update would, however, be conditional on the Board's workload with respect to ethical standards more generally.

**2. Consideration of a draft response to the FEE Discussion Paper "Combined Financial Statements"**

The Chairman noted that FEE had issued a discussion paper on the use of Combined Financial Statements in investment circulars in April and invited the members of the Sub-committee to discuss whether or not the Sub-committee wished to recommend to the APB that it should submit a response. Mr. Kevin Desmond who is a member of the FEE working party that had

developed the discussion paper explained the background to its development. He noted that the material in the discussion paper would not be new to members of the Sub-committee as the Annexure to SIR 2000 addresses combined financial statements and the discussion paper refers to SIR 2000. Some members noted that as FEE is not a standard setter it is unclear what impact, if any, the discussion paper would have. However, other members noted that there is growing interest in Europe with respect to the use of combined financial statements in investment circulars and that, as the term has various meanings in different jurisdictions, the FEE initiative would serve to facilitate European harmonisation.

Following discussion the Sub-committee concluded that it would draft a response for the APB to consider. Members made a number of suggestions to the staff concerning its detailed content. In particular, the staff was asked to draft responses to each of the detailed questions raised in the discussion paper, for inclusion in the Appendix to the letter, and in doing so to seek the input of the staff of the ASB.

**3. Consideration of whether the Sub-committee should be recommending to the APB that the Annexure to SIR 2000 “Accounting conventions commonly used in the preparation of historical financial information in investment circulars” be updated.**

The Chairman noted that SIR 2000 had been revised in early 2011 to reflect the clarity changes to the ISAs. In its response to the Board’s Exposure Draft revising SIR 2000 the Institute of Chartered Accountants in England & Wales (ICAEW) had suggested that a further review of SIR 2000, encompassing more than the clarity changes, and in particular of the Annexure was necessary. The Sub-committee discussed the ICAEW’s suggestion and noted that it was not aware of any evidence of widespread demand for a further revision at this time.

The Sub-committee concluded that it would recommend to the APB that there is no need for a revision at this time. However, the Sub-committee noted that ISAE 3000, which is the source of much of the drafting architecture of the SIRs, is shortly to be revised by the IAASB. When this revision is completed the Sub-committee suggested that a staff exercise be undertaken to evaluate what changes, if any, would be appropriate for the SIRs. If this exercise were to give rise to proposals to revise the SIRs, the Sub-committee would revisit the suggestions of the ICAEW with a view to bundling up any recommended revisions with the revisions arising from the ISAE 3000 review.

**4. Any other business**

There were no other matters raised for discussion.