

# SUMMARY MINUTES

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

**DATE AND TIME:** Tuesday 14 November 2006, at 2.30 p.m.

**PLACE** 5<sup>th</sup> Floor, Aldwych House  
71-91 Aldwych  
London WC2B 4HN

## PRESENT

**Members** T. Troubridge (Chairman)  
K. Desmond M. Lomers  
S. Hextall S. Nyman  
D. Hilton L. Piller  
P. Hughes J. Ward

**Observers** J. Anderson (PwC)  
J. Grant (Executive Director, APB)

**Staff** S. Leonard

## APOLOGIES

**Members** L. Gallagher G. Pimlott

### 1. Chairman's introduction

The Chairman explained that the meeting had been called to discuss an issue, that had recently arisen, concerning the wording of accountants' reports on historical financial information in investment circulars. As the discussion of this issue was expected to occupy the meeting, discussion of the proposed SIR on GAAP Reconciliation would be postponed to a subsequent meeting.

### 2. Reporting in accordance with SIR 2000

The Chairman commented that a firm of reporting accountants had decided that, in the opinion paragraphs of accountant's reports, they will no longer describe financial information as being "in accordance with IFRSs as adopted by the EU" in situations where certain of the conventions described in the Annexure to SIR 2000 have been used by the issuer. An example of such a circumstance is when combined (rather than consolidated) financial information is presented in order to portray a complex financial history.

The alternative approach that the firm has adopted is to state, in the accountant's report, that the financial information gives for the purposes of the prospectus, a true and fair view, in accordance with the basis of preparation note to the financial information. The basis of preparation note in turn states that the combined financial information has been prepared in accordance with IFRSs as adopted by the EU except in respect of certain specified matters. The reasoning for adopting this approach was set out in a paper that had been circulated to the members with the agenda.

This issue has been raised at a European level and as a result a committee of CESRfin has been formed to consider the matter and in particular to clarify the meaning of item 4 of Annex

II to the Prospectus Directive. The first meeting of the CESRfin committee was expected to be in December. In the meantime the FSA has issued informal guidance to reporting accountants indicating the forms, of accountant's report that they are willing to accept.

The meeting discussed the implication of these developments for SIR 2000 and in particular the example accountant's report illustrated in Appendix 3 of the SIR.

The Sub-committee noted that it had been suggested that it may be helpful if those members of the Sub-committee representing accounting firms were to meet collectively with their IFRS counterparts in order to discuss the issue. Once this meeting had taken place the Chairman suggested that the Sub-committee should reconvene in order to discuss the next steps, if any, that the Subcommittee should recommend to the APB.

### **3. Any other business**

There were no matters raised under "Any other business".