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Dear Ms Kerr

Louder than Words – Comments

This is a wonderful breath of fresh air in its clarity, analysis, and presentation. Even the language flows easily and is so different from that we have come to expect from Standard Setters and Legislators.

I have seven areas for comment, on which I will expand. These are:

1. The User Audience
2. Cost Effectiveness
3. Articulate Desired Outcome
4. Materiality
5. Open and Honest
6. Comparability/Consistency
7. Electronic Communications

The User Audience. Currently Reports are expected to cover far too wide an audience, in large part caused by legislation. Today there can be few public companies without web sites, and much of the non financial issues could be covered by prescribing separately what information is needed for non financial or non investor audiences, legislating for this to be available separately. Such

information should be available on company web sites, rather than prescribed for their financial reports. It can be argued that this removes the signing off by auditors, or that web documents can be amended. Both these problems should be capable of solution. The Corporate Report should return to being primarily a numbers document, "providing investors with information that is useful for making their resource allocation decisions and assessing management's stewardship." Absolutely right. Divide issues into financial and non financial, with each dealt with in the most appropriate manner. Where the information resides should not matter. To help in this it might be useful for all the 'Regulatory Parties' to sit together and discuss how such a division, suited to the requirements of the various users, might be achieved. A complete re-think of an appropriate model for reporting in the 21st century and in our technologically changed world.

Cost Effectiveness. Not only would use of information used by managements reduce cost burdens, but it would link reporting more directly with what managements use to manage their businesses, which must be more valuable, particularly in judging stewardship and performance. There is the problem that each business may concentrate on different measures, perhaps reducing comparability between businesses, but the arguments for comparability are over played.

"Clearly articulating the desired outcome as the first section of each standard" would not only improve the understandability, but it would lead to being able to determine better whether the standard was really important in terms of materiality to a particular enterprise.

Materiality. The question of materiality is one which requires particular attention, having been increasingly ignored by standard setters, and is particularly important in smaller companies. Surely it must be possible to define materiality as, for example, 5% of gross assets, net assets, or PBT. This point alone could substantially reduce the burden of many standards and the efforts required by auditors to audit issues of little real relevance.

Open and Honest. The principle is to be applauded, but there will always be companies that communicate openly and honestly, whilst there will be others that will not. This is human nature, and seen equally outside the business world. There will always be a desire to stress the good news and down play the bad. This happens in every part of our community, where if politicians can't tell things the way they really are, is it reasonable to expect business leaders to do so. The problem is with words, and the more narrative is added to

reports the more the opportunity for spin presents itself. We should try to get back to a much more numbers orientated annual financial report, leaving the words to be dealt with elsewhere. The very title of this paper "Louder than Words" would suggest that words are not the answer.

Comparability versus Consistency. Surely consistency of results within a company is far more important than so called comparability between companies, which is a myth anyway. No two companies are exactly comparable and differing year ends can make a nonsense of 'fair valued' assets and liabilities between them. Trends are one of the most valuable tools to judge performance, and are used throughout business as internal management controls, so it is ludicrous to distort these in the name of 'Comparability'.

Electronic Communications. In the same vein as earlier comments on keeping non financial issues apart from financial issues, it would give the ability to scan through an annual report, decide what were the particular issues for a reader, and to find answers to these, without having to plough through hundreds of pages to get there. It is a case of considering what is appropriately available, where, rather than trying to get everything into one printed document.

As stated at the beginning of this response, this paper is a breath of fresh air. It addresses clearly the mounting criticism directed at international accounting standards and increasing legislation, not in a negative way, but in an attempt to overcome those criticisms. The hope has to be that the IASB in particular takes note of it, but there needs to be a fundamental rethink, taking account of modern technology, of what information is appropriately available where. This should lead to a division of financial and non financial information, so that investors can receive reports more focused on the issues important and relevant to them.

Yours sincerely

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