RSM

Third Floor, One London Square
Cross Lanes
Guildford
Surrey, GU1 1UN
United Kingdom

T +44 (0)844 2640300

rsmuk.com

Our ref: NATS/PD
Your ref: FRED 63

Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

For the attention of Jenny Carter

05 April 2016

Dear Madam

FRED 63 "Draft amendments to FRS 101 – 2015/16 cycle"

We welcome the opportunity to comment on the FRC's Exposure Draft FRED 63 "Draft amendments to FRS 101 - 2015/16 cycle" ("the Exposure Draft").

We are supportive of the proposals to amend FRS 101 to give exemptions from certain disclosures that would otherwise be required by IFRS 15 *Revenue from Contracts with Customers.*

Our responses to the specific questions raised in the Exposure Draft are set out in Appendix 1.

We take this opportunity to request that the Financial Reporting Council considers providing clarification on the notification procedures to shareholders that the disclosure exemptions are being taken. As set out in our response to question 2, we are finding this to be a poorly understood area resulting in diversity in practice. In our view, the uncertainty is proving to be a significant issue for entities wishing to apply FRS 101.

If you would like to discuss any aspect of this response please do not hesitate to contact Danielle Stewart, Head of Financial Reporting.

Yours faithfully

RSM UK Tax and Accounting Limited

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Appendix 1

Question 1
The principles for determining whether disclosure exemptions from EU-adopted IFRS should be available in FRS 101 are set out in paragraph 9 of the Accounting Council's Advice. These are relevance, cost considerations and avoiding gold plating.

Qualifying entities have limited external users of the financial statements. These external users are likely to be providers of credit with a greater focus on information that supports the statement of financial position of the qualifying entity, when compared with detailed analysis of performance as required by some of the disclosures in IFRS 15 Revenue from Contracts with Customers. Do you agree?

We agree that providers of credit are likely to be the main users of financial statements of a qualifying entity. We would suggest that there are other stakeholders and users of the financial statements such as employees and customers; however their interests are unlikely to be compromised by the reduced disclosures.

Question 2
Do you consider that additional refinements could be made to the principles set out in paragraph 9 of the Accounting Council's Advice that, when applied, would help to increase further the cost-effectiveness of FRS 101?

We agree with the principles set out of relevance, cost considerations and avoiding gold plating. Applying these principles to new requirements in IFRS should ensure that FRS 101 continues to be cost effective and attractive to qualifying entities reporting under IFRS.

However, in our view there is an omission in the standard that is proving to be a significant issue for entities wishing to apply FRS 101. We are referring to the lack of guidance on the notification to shareholders that the disclosure exemptions are being taken. There are a number of areas of uncertainty in the requirements relating to the frequency, format, distribution and timing of the notifications as well as how to deal with shareholder changes. For example, is the notice to be given once only, or every year, and would an RNS announcement constitute an appropriate method of communication?

Furthermore, given that the notification procedures are there to protect any minority interests, is it really necessary for the notification to be given at all in the case of a 100% owned subsidiary or a parent company taking disclosure exemptions in the entity financial statements ,which are part of the consolidated accounts?

The lack of direction is unhelpful and has led to a number of very different practices being adopted. We therefore request that the FRC considers providing clarification in this area.

Question 3
Do you agree with the proposed amendments to FRS 101? If not, why not?

We agree with the proposals.

Question 4
In relation to the Consultation stage impact assessment do you have any comments on the costs and benefits identified? Please provide evidence to support your views of the quantifiable costs or benefits of these proposals.

We agree that the proposals to provide exemptions from certain disclosures that would otherwise be required by IFRS 15 will reduce the costs of compliance. We have no further comments.