

Deepa Raval
Financial Reporting Council
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22 November 2013

Dear Sirs,

Financial Reporting Council Exposure Draft: Guidance on the Strategic Report

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies.

Their individual market capitalisations tend to be below £500m. The Quoted Companies Alliance is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. Overall, we believe that the guidance is well structured and will help companies to report under the new UK narrative reporting framework. We have a few comments on various areas below:

- **Materiality:** We support the approach to materiality in the guidance and believe that this is concept is integral to ensure that companies produce meaningful strategic reports.
- **Summary Financial Statements:** We note that there is a lack of guidance included for companies that used to produce Summary Financial Statements (SFS). Since SFS have been replaced by the Strategic Report, we believe that it is important for the FRC to focus on this area. Generally, there is a concern that the Strategic Report will be longer than the SFS and, therefore, shareholders will end up receiving much more information than they have historically. Without guidance on this, there is risk that some companies will seek to protect themselves by providing much of the financial information formerly contained in the SFS in the Strategic Report. This would significantly increase the size of the Strategic Report and detract from the narrative.
- **Duplication:** In section 3.14 the guidance suggests that duplication of information should be avoided. It is our experience that some repetition of information across sections of the annual

report is both desirable and necessary. The structure and presentation of the annual report is crucial to producing a report which is both cohesive and easily understood. This is acknowledged in the draft guidance under paragraph 6.9 and an example of best practice in presentation is the inclusion of an initial summary of key information which all well-written reports contain. We do not agree that some duplication of essential information leads to unnecessary volumes of disclosure. This is essential to producing a report that makes it easy for shareholders to find important information easily and it ensures each section of the report can be understood by the reader.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours Faithfully,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the printed name and title.

Tim Ward
Chief Executive

Quoted Companies Alliance Corporate Governance Expert Group

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| Edward Craft (Chairman) | Wedlake Bell LLP |
| Colin Jones (Deputy Chairman) | UHY Hacker Young |
| Victoria Barron | Hermes Equity Ownership Services |
| Edward Beale | Western Selection Plc |
| Rob Burdett | FIT Remuneration Consultants |
| Anthony Carey | Mazars LLP |
| Richie Clark | Fox Williams LLP |
| Louis Cooper | Crowe Clark Whitehill LLP |
| Madeleine Cordes | TMF Corporate Secretarial Services Ltd |
| Kate Elsdon | PwC LLP |
| Nicola Evans/Julie Stanbrook | Hogan Lovells International LLP |
| David Firth | Penna Consulting PLC |
| Peter Fitzwilliam | Mission Marketing Group (The) PLC |
| David Fuller | CLS Holdings PLC |
| Clive Garston | DAC Beachcroft LLP |
| Nick Graves | Burges Salmon |
| Andrew Hobbs | EY |
| Alexandra Hockenhull | Xchanging plc |
| David Isherwood | BDO LLP |
| Nick Janmohamed | Speechly Bircham LLP |
| Dalia Joseph | Oriel Securities Limited |
| Claire Noyce | Hybridan LLP |
| Gabriella Olson-Welsh | McguireWoods |
| Anita Skipper | Aviva Investors |
| Nicholas Stretch | CMS Cameron McKenna LLP |
| Peter Swabey | ICSA |
| Eugenia Unanyants-Jackson | F&C Investments |
| Melanie Wadsworth | Faegre Baker Daniels LLP |
| Cliff Weight | MM & K Limited |