



The Corporate Reporting Users' Forum

By email to: EFRAG: commentletters@efrag.org

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cc to: IASB

31 December 2012

Disclosure Framework

We have read with interest the Discussion Papers 'Towards a Disclosure Framework for the Notes', issued by the European Financial Reporting Advisory Group (EFRAG), the French Autorité des normes Comptables (ANC) and the UK Financial Reporting Council (FRC) in July 2012 and 'Thinking about disclosures in a broader context, A road map for a disclosure framework', issued by the Financial Reporting Council in October 2012 (the Discussion Papers). We believe the Discussion Papers will be helpful in beginning more of a collective dialogue on the topic of disclosure, and that they should result in useful observations to be fed into the IASB's own consideration of the topic.

In this regard, CRUF welcomes the IASB's taking onto its agenda the topic of a disclosure framework as part of its work on the conceptual framework. We also look forward to the discussion of this at the Disclosure Forum to be held at the end of January. We stressed the importance of addressing disclosure in our response to the IASB's Agenda Consultation, in which we emphasised a focus on the relevance and reliability of information. In particular we highlighted that 1) disclosures should be both adequate and relevant, 2) the cash flow statement should provide a comprehensive explanation of all cash- and debt- related movements in the period and 3) the concept of materiality should always apply so that we do not get large amounts of information on matters of trivial importance.

CRUF does not wish to comment in detail on the Discussion Papers as we feel the discussion should be part of the wider IASB conceptual framework project. However, we generally favour disclosure requirements that are written for an entity for whom those disclosures are material, and that appropriate materiality judgements be made under IAS1. As a result, useful disclosure should be made when material according to each company's individual circumstances.

As noted in CRUF's Guiding Principles (attached), as users of corporate reports, we want transparent and comprehensive disclosures, and believe that corporate reports should be prepared with the objective of providing a fundamental source of information for investors and creditors on which to base their decisions. It must be of benefit to all users of the capital market, i.e. companies, investors and creditors to achieve a lower cost of capital by avoiding unnecessary risk premium. We continue to be more concerned by gaps in company disclosures than by too much disclosure, but look to the IASB's project to help achieve a more adequate balance that provides



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necessary information which facilitates comparison of investment opportunities.

About the Corporate Reporting Users' Forum (CRUF)

The CRUF came together in 2005 as a discussion forum to help its participants in their approach to the debate on current and future corporate reporting requirements. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters such as the IASB and FASB.

CRUF participants come from all around the world, including individuals from both buy- and sell-side institutions, and from both equity and fixed income markets.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. It does not seek to achieve consensus views, though at times some or all of its participants will agree to make joint representations to standard setters or to the media. It would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

We sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum (www.CRUF.com) and not as representatives of our respective organizations. The views expressed are those of individual CRUF participants and do not necessarily reflect the views of the respective organisations where we are employed.

The participants in the Forum that have specifically endorsed this response are listed below.

Yours sincerely

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CRUF Guiding Principles

Accounting standards that govern the preparation of corporate reports should be principles-based and comprehensible to the financially literate. These standards should not result in outputs that are at odds with economic reality.

Such standards should be based on the presumption that the stated principles are faithfully applied. Therefore standards should avoid unnecessary detailed prescription and not unduly restrict companies in presenting meaningful results that are in accordance with those principles.

Corporate reports should report economic reality.

Accounting standards should require compliance with their spirit rather than their letter so that preparers are required to disclose economic 'substance' rather than accounting or legal 'form'.

Users want transparent and comprehensive disclosures.

Corporate reports should be prepared with the objective of providing a fundamental source of information for investors and creditors on which to base their decisions.

Corporate reports should provide information that is clear, understandable, consistent and relevant.

No single primary statement should take precedence.

Not all information that is relevant for users of corporate reports has to be reflected in the primary financial statements. Some information, such as contextual and non-financial information may best be presented outside the primary financial statements.

Accounting standards should not discourage companies from presenting additional information that is useful to users.

The purpose of the cash flow statement should be to identify and explain cash inflows and outflows over the period. Further, the cash flow and accompanying notes should provide insights into the drivers of maintainable cash flows as well as the trends over time of these drivers.

The cashflow should be capable of comparison and reconciliation with the profit and loss and balance sheet. The impact of acquisitions and disposals on these cashflows should also be clear.

The purpose of the balance sheet should be to reflect the capital invested in the business along with capital adequacy, compliance with legal covenants and stewardship.

The purpose should not be to determine the entity's fair value. Further information regarding the values of individual assets and liabilities (including assumptions and sensitivities), should be provided in the notes.

The purpose of the profit and loss statement should be to identify the returns generated from the capital invested in the business.

The profit and loss and the accompanying notes should clearly differentiate and analyse relevant information, such as: operating performance from financing activities; recurring from non-recurring activities; value changes from trading activities.