

Minutes of a meeting of the Corporate Reporting Council held on 13 December 2018 in the FRC Boardroom, 8th Floor, 125 London Wall, London EC2Y 5AS

Present:

Paul Druckman	Chairman
Richard Barker	Member
Chris Buckley	Member
Michael Gallagher	Member
Sian Morgan	Member
Liz Murrall	Member
Veronica Poole	Member

Observers:

Lee Piller	FCA
Trevor Rushe	IAASA
Mark Young	HMRC (deputising for Alison Ring)

In attendance:

Anthony Appleton	Director, Accounting & Reporting Policy
Mei Ashelford	Project Director
Anu Bhartiya	Committee Secretary, Corporate Reporting Council
Jenny Carter	Director of UK Accounting Standards
Debbie Crawshawe	Project Director
Paul George	Executive Director, Corporate Governance & Reporting
Andrew Lennard	Director of Research
Deepa Raval	Director of Narrative Reporting
Susan Pust Shah	Project Director

1. Welcome and apologies for absence

The Chairman welcomed everyone to the meeting. Apologies were noted from Council Members Michael John-Albert and Mark Smith and Observers Catherine Crowsley (BEIS), Alison Ring (HMRC) and Vicky Rock (HMT).

2. Declaration of conflicts of interests

There were none.

3. Minutes of the last meeting

Minutes of the Corporate Reporting Council meeting held on 15 November 2018

- 3.1 The minutes of the Corporate Reporting Council meetings held on 15 November 2018 were approved for publication.

Rolling actions

- 3.2 The matters arising log was noted.

4. Update from the Chairman

- 4.1 The Chairman reported that Mrs Ashelford would be leaving FRC. The Chairman and Mr Appleton thanked Mrs Ashelford for her significant contributions to the work of the FRC and wished her well in her new role.

- 4.2 The Chairman reported that the Board had met on 5 December 2018 and the discussion had included:

- Sir John Kingman Review of the FRC;
- The review of the audit market by the Competition and Markets Authority (CMA);

- Wates Principles for the corporate governance of large private companies;
 - Stewardship Code consultation.
- 4.3 The Chairman informed that approximately 80 applications were received in response to the FRC's call for participants to join the Future of Corporate Reporting Advisory Group. The FRC was in the process of finalising the list of members. This would involve turning down some very good candidates in order to maintain an effective size of the group. The Council noted that the outreach programme on developing ideas would include engagement with all applicants.
- 4.4 The Chairman provided a brief update on a debate at the Oxford Union on 'Should FASB and IASB be responsible for setting standards for nonfinancial information?'. The Council noted that the Chairman was a panel member and Veronica Poole was the keynote speaker.

5. Director of Accounting and Reporting

- 5.1 Mr Appleton introduced his report which provided an update on developments relating to financial reporting, wider corporate reporting and other FRC matters not covered elsewhere on the agenda.

FICE outreach event

- 5.2 The FRC and EFRAG had held a public joint outreach event on the IASB's Discussion Paper 'Financial Instruments with the Characteristics of Equity' on 4 December 2018. The Council noted that the event was well attended and had useful discussion on addressing the potential improvements to the classification, presentation and disclosure requirements for financial liabilities and equity instruments as proposed by the Discussion Paper.

EC Fitness Check consultation

- 5.3 The Council noted that the EFRAG TEG had received a presentation on the Summary Report of the Public Consultation on the Fitness Check on the EU framework issued in October 2018.

UK IFRS Endorsement Board

- 5.4 It was reported that the FRC is continuing to work with BEIS on the establishment of the UK IFRS Endorsement Board which would be responsible for endorsing new and revised IFRS reporting standards following Brexit.

IFRS 17

- 5.5 The Council noted that the IFRS Accounting Standard Advisory Forum (ASAF) had discussed certain aspects of IFRS 17 that merit further consideration. The EFRAG Board is due to meet on 18 December and would be discussing a set of issues in relation to IFRS 17. The Council noted the list of issues identified by the IASB and discussed at ASAF was similar but not identical to the list of issues raised by EFRAG in its letter to the IASB. The Council welcomed the IASB considering whether insurance contracts that have the primary purpose of providing loans or other forms of credit or credit instruments such as Equity Release Mortgage instruments should be within the scope of IFRS 17.

6. Director of Research Report

- 6.1 Mr Lennard provided a brief update on the two ongoing research projects:
- i) Variable and contingent consideration: The FRC staff is looking at identifying the requirements of the current IFRS to develop principles that should be applied. A paper on this project would be presented to the Council at a future meeting.
 - ii) Intangible assets: The EFRAG is undertaking a project to develop alternatives to provide more relevant information on intangible assets in financial reporting. The AASB (Australia) and Japan are also undertaking a similar project. Since the FRC has already set out initial thoughts on this topic as presented at the International Forum of

Accounting Standard Setters meeting in 2018, the Council suggested liaising with the bodies and sharing the work that has already been undertaken and finalising it for publication.

7. FRED 71 – Multi-employer defined benefit plans

7.1 The Council considered FRED 71 *Draft amendments to FRS 102 – Multi-employer defined benefit plans* which proposes to amend FRS 102 to specify how the transition from defined contribution accounting to defined benefit account shall be effected when sufficient information becomes available.

7.2 The Council considered the proposals as set out in FRED 71 and was supportive of the following:

- The difference between any liability previously recognised for contributions payable under an agreement to fund a deficit and the net defined benefit liability for the plan shall be recognised in other comprehensive income.
- The relevant date for the transition from defined contribution accounting to defined benefit accounting should generally be the date from which sufficient information is available.
- When the relevant date is in a prior period, comparatives should not be restated and the transition to defined benefit accounting takes place from the first day of the current reporting period.
- This is an issue on which there have been differing views. However, it is a narrow-scope issue and the consultation period could be shortened to eight weeks.

7.3 Through discussion, a small drafting amendment was suggested to better place the discussion of the definition of the 'net defined benefit liability'. Mrs Carter agreed to take the suggestion into consideration while finalising the FRED.

7.4 Subject to the above, the Council advised the Executive to recommend the Board approves the issue of FRED 71 *Draft amendments to FRS 102 – Multi-employer defined benefit plans*.

8. LLP SORP

8.1 Mrs Pust Shah noted that the draft LLP SORP was published in August 2018 for consultation. The proposed amendments to the SORP were considered uncontroversial. Respondents to the consultation expressed largely support for the proposals. The CCAB has revised the draft LLP SORP to reflect, where appropriate, the suggestions for change made by respondents. The CCAB confirmed it will explore issues identified by respondents which may require additional guidance in the SORP in the course of 2019.

8.2 Mrs Pust Shah confirmed that in her view the LLP SORP is consistent with the requirements of FRS 102 and has been developed in accordance with the FRC's SORP Policy. The Council gave its positive advice to the FRC Executive to issue the FRC Statement on the LLP SORP.

9. Response to the IASB Discussion Paper 'Financial Instruments with Characteristics of Equity'

The Council considered the FRC's draft response to the IASB's Discussion Paper. The Council suggested some drafting amendments to express the concerns in a better way and rearranging certain matters to set out priorities. Mr Lennard agreed to take the suggestions into consideration while finalising the response. Subject to that, the Council was satisfied with the draft response.

10. Any other business

There was none.

11. Date of next meeting

The Council noted that the next meeting will take place on 24 January 2019. (Secretary's post meeting note: The meeting on 24 January 2019 was cancelled and the next meeting would take place on 7 March 2019)