25 July 2014

Hans Hoogervorst
International Accounting Standards Board
1st Floor, 30 Cannon Street,
London EC4M 6XH,

Dear Hans

IASB ED 2014/1 DISCLOSURE INITIATIVE PROPOSED AMENDMENTS TO IAS1

IMA represents the asset management industry operating in the UK. Our members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of £4.5 trillion of assets, which are invested on behalf of clients globally. These include authorised investment funds, institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, IMA members manage holdings amounting to just over 30% of the domestic equity market.

In managing assets for both retail and institutional investors, IMA members are major investors in companies whose securities are traded on regulated markets. Therefore, as users, we have an interest in the standards governing how such companies prepare their financial statements.

Investors are increasingly concerned about the length, clarity and focus of annual reports and accounts in that reporting has become increasingly complex. In particular, the non-financial information in the 'front half' of an annual report and accounts could be presented more clearly and the accounts as whole could be more cohesive and better integrated. For too many organisations, reporting is seen as a legal compliance process, rather than as a process for communicating what matters. This shopping list approach makes it more difficult for companies to deliver real strategic thinking and close the gap between the transparency provided by those companies that genuinely think long-term and those that do not.

Thus IMA supports the IASB's Disclosure Initiative, which looks at improving disclosures. However, we are concerned about the piecemeal approach the IASB is taking to it. Thus whilst the limited amendments proposed in the ED are helpful, the IASB needs to look to improve disclosures more fundamentally. A principles-based disclosure framework is important to ensuring that the financial statements only contain information that is necessary. We would encourage the IASB to focus on completing both the conceptual and disclosure frameworks in a timely manner, and review existing disclosure requirements across all standards.

That said, we welcome the emphasis on the need for judgement in considering the level of disclosure that is appropriate in the ED. However, there are areas where the IASB could provide greater clarity. We set out in the attached our comments on the specific questions raised and below our key comments.

- The Conceptual Framework states that information is material if its omission or misstatement could influence decisions users make about an entity based on the reported financial information. The draft IAS 1 contains a variety of text that relates to the concept of materiality. We consider this should be aligned with the definition in the Conceptual Framework and be consistently referred to throughout the standard.

- Accounting policies have long been proliferated with 'boilerplate' disclosures. We welcome proposals to address this but the amendments are insufficient to discourage the reproduction of sections of IFRSs. BC 22 acknowledges that additional work needs to be undertaken with regard to what a significant accounting policy is in that more clarity is required. We believe that ideally an accounting policy should only be disclosed when the policy is new, a change from prior period, where there is a choice in IFRS or when it involves judgements or estimates.

- BC 7 states that in this ED the term 'present' means information shown as a line item and 'disclosure' means information shown in the notes. However, these two terms are not used consistently throughout the standard. For example, paragraph 31 refers to "disclosure" in the notes or in the statements and paragraph 112 states the notes shall …."present". If the terms "present" and "disclosure" are to be defined then they should be applied consistently in accordance with these definitions in the standard.

Please contact me if you would like clarification on any of the points in this letter or if you would like to discuss any issues further.

Yours sincerely

Liz Murrall
Director, Corporate Governance and Reporting

IMA's ANSWERS TO THE DETAILED QUESTIONS RAISED

IMA's answers to the individual questions are set out below.

Q1: The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement.
The proposed amendments relate to:

(a) materiality and aggregation

We welcome the clarification in paragraphs 30A and 31 regarding aggregation, disaggregation and materiality. Aggregation can obscure useful information and disaggregation can result in immaterial information overwhelming useful information.

The Conceptual Framework states that information is material if its omission or misstatement could influence decisions users make about an entity based on the reported financial information. The draft IAS 1 contains a variety of text that relates to the concept of materiality. We consider this should be aligned with the definition of materiality in the Conceptual Framework which should be consistently referred to throughout the standard.

(b) statement of financial position and statement of profit or loss and other comprehensive income

We agree with the removal of the phrase *'As a minimum….'* from paragraph 54 which includes a list of line items to be included in the statement of financial position. We also believe that the word "shall" should be replaced by "may". Only if both amendments are made would it be clear that the line items mentioned do not necessarily have to be disclosed in that the concept of materiality should be applied.

Paragraph 82 also includes the word "shall" in relation to the items in the performance statement. This should be similarly changed to "may".

(c) notes structure

Paragraph 113A proposes that in determining a systematic order for the notes an entity may give prominence to those notes that are more relevant to an understanding of the financial statements. The alternative is the suggested order in paragraph 114. In this context, whilst comparability between entities could be compromised by allowing flexibility in ordering and locating notes, such flexibility highlights management's decision as to what is important and we support the amendments proposed.

In the event an entity wishes to change the order of the notes from prior years, comparative information should follow these changes i.e. comparative notes should be in the same location and format as that used in the current period. This should be made clear in the standard.

Paragraph 115 requires an entity to cross-reference each item in the statements to any related information in the notes. This may result in excessive cross-referencing and "related" should be changed to "relevant".

IMA's ANSWERS TO THE DETAILED QUESTIONS RAISED

We welcome the flexibility allowed in paragraph 116 that permits the disclosure of information about the basis of preparation and specific accounting policies as part of other notes. This allows the relationship between some disclosures to be more understandable and should help to address the concern expressed at the *Financial Reporting Disclosure* Discussion Forum where some investors want to be able to see how disclosures are related (BC16).

(d) Disclosure of accounting policies.

Accounting policies have long been proliferated with 'boilerplate' disclosures. We welcome proposals to address this but the amendments are, in our view, insufficient to discourage the reproduction of sections of IFRS. The deletion of paragraph 120 which uses income tax and foreign currency accounting policies as examples of those that users would expect to see is helpful but as IASB acknowledges in BC 22 additional work needs to be undertaken with regard to what a significant accounting policy is in that more clarity is required. We believe that ideally accounting policies should only be disclosed when they are relevant to users which in the main would be when the policy is new, a change from prior period, where there is a choice in IFRS or when it involves judgements or estimates.

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

BC 7 states that in this ED the term 'present' means disclosure as a line item and 'disclosure' means information in the notes. However, these two terms are not used consistently throughout the standard. For example, paragraph 31 refers to "disclosure" in the notes or in the statements and paragraph 112 states the notes shall …."present". If the terms "present" and "disclosure" are to be defined then they should be consistently applied in the standard.

ANNEX

IMA's ANSWERS TO THE DETAILED QUESTIONS RAISED

Q2: Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)?

If not, why and what alternative do you propose?

We agree with the proposal in paragraph 82A to require the share of other comprehensive income of equity accounted investments to be presented in two line items; items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss. However, at BC4 the IASB stated that the reporting entity would need to consider whether users would be better able to evaluate, *inter alia,* the financial effects of the interest (paragraph 20 (a) IFRS12 *'Disclosure of Interests in Other Entities'*) with a disaggregated presentation that reports investor's share by nature of the items of other comprehensive income. We agree with this observation. Users would expect IFRS reporters who invest in equity accounted associates and joint ventures to exercise judgement in relation to separate disclosures perceived to be needed by users.

Q3: Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this Exposure Draft (see paragraphs 139N and BC23–BC25)?

If not, why and what alternative do you propose?

We agree with the proposed transitional provisions. Information in respect of the previous period should be comparable with that of the current period. In the event narrative and descriptive information is changed as a result of the proposed amendments to IAS1, comparative information should be adjusted to align with that of the current period. Paragraph 38 would appear to cater for this and we agree with the IASB (BC25) that additional transition provisions are not necessary.