

EFRAG  
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## **Discussion paper July 2012 Towards a Disclosure Framework for the Notes**

The Association of Investment Companies ('AIC') is the trade body representing some 330 investment companies, managing assets of around £80bn. Our members are closed-ended investment companies domiciled both in the UK (investment trusts, Venture Capital Trusts) and offshore (predominantly in the Channel Islands); with the vast majority listed on the London Stock Exchange. Their business is to invest in a diversified portfolio of shares and securities, property and other assets to provide returns for their shareholders.

All of our members produce financial reports and the AIC agrees with the view that the notes to the financial statements have become unwieldy, too long and have led to 'information overload'.

We welcome EFRAG's decision to review this area and strongly support the general thrust of its approach that disclosure overload should be avoided, and the notes should be easier to understand and compare. We also agree that relevance and materiality are key considerations if the volume of notes is to be reduced.

We further agree that, within a single set of financial reports, the provision of alternative accounting treatments should be kept to a minimum as such disclosures can be confusing to users. In particular, we question the value of the disclosures required by IAS 8 (Accounting Policies) when new accounting standards have been issued but are not yet effective. In such circumstances, IAS 8 requires disclosure of the possible impact that application of the new standard(s) will have in the period of initial application. New accounting standards often include a long period before they become effective, so that preparers have time to research the impact and identify the changes that will have to be made. Frequently, such new standards also permit early adoption which gives preparers the opportunity to present their financial statements in accordance with the new accounting policy before the effective date if such presentation is considered desirable. The IAS 8 disclosures seem to us to have little relevance with regard to the period being reported on and, in order to reduce the length and complexity of the notes, its requirements should be revised.

The discussion paper does not seem to address disclosures in the notes required by governments or other regulatory bodies. For example, in the UK there are requirements to disclose information about employee numbers and costs, benefits to directors and auditor's remuneration etc. Such information may not be particularly material or relevant with respect to the financial statements, but will still have to be disclosed. If a comprehensive review of the notes to the accounts is to be undertaken, the AIC **recommends** that EFRAG should consider these types of disclosures in addition to those required by accounting standards.

To discuss the issues raised in this paper please contact:

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