

Present:

| | | |
|-----------------------|---------------------------|----|
| Edward Beale | Western Selection | EB |
| Anna Draper | BDO LLP | AD |
| David Gray | DHG Management | DG |
| Matthew Howells | Smith & Williamson Ltd | MH |
| Paul Watts | Baker Tilly | PW |
| Joseph Archer | Crowe Clark Whitehill LLP | JA |
| Kate Jalbert | Quoted Companies Alliance | KJ |
| Maria Gomes (minutes) | Quoted Companies Alliance | MG |

In attendance:

| | | |
|------------------|---------------------|----|
| Nick Topazio | CIMA Global (Guest) | NT |
| Anthony Appleton | FRC (Observer) | AA |

ACTIONS

1. Welcome to Nick Topazio, CIMA Global, to discuss Business Models

PW welcomed NT and thanked him for coming to speak to the group about the recent work of CIMA on business models.

NT explained that CIMA is working on integrate reporting and have published a report 'Using integrated reporting to help create value and effectively tell the full story'. This report advocates how integrated reporting helps a company create value and tell its story in its own words. NT noted that some of the key findings of this report are that, in order to achieve those goals, companies should focus on external business environment, better understanding the value creation process, and identifying critical business relationships. NT added that the business model should have a forward-looking orientation and should be more resilient, making companies more efficient and mapping them through business success. In his view, companies should have a holistic, integrated approach to decision-making that is linked to what the board is working on.

NT noted that there are numerous different definitions of 'business models' and for that reason CIMA is interested in understanding how value is created and implemented within an organisation with different CIMA members. Additionally, NT welcomed comments from the QCA and encouraged Expert Group members to let him know what their thoughts are to add to their research.

NT explained that value has an impact on financial reporting and it is important for the board to be discussing resources. Moreover, narrative reporting could not exist without robust financial reporting.

AA noted that value and financial reporting would ideally be identical; however, even though financial reporting is generally imperfect, a model is needed for the key information to be extracted. He added that there should be enough flexibility to make business models work closer to financial reporting, but there is the danger of forcing companies into business models if too much flexibility is introduced. There should be a balance between enough flexibility and allowing comparability.

EB noted that the performance measures cannot be expected to be identical; the assumption that 'one size fits all' is incorrect. EB added that perhaps it should be left up to the markets to decide on business models or a set of measures for different sectors.

NT mentioned that CIMA's next steps are to spread and deepen their message to other organisations regarding business models and value. He added that business is always evolving and changing and there is always something to report on. NT explained that there is not a big risk of their work becoming boilerplate since the challenges and solutions keep evolving.

NT encouraged the QCA to continue to work in getting their views known and building a better system. NT mentioned that QCA's responses to consultations and comments sent to the FRC Lab on clear and concise reporting are also very helpful for CIMA.

PW thanked NT for coming to speak to the group. NT thanked the QCA for the opportunity and left the meeting.

2. Apologies

Apologies were received from Matthew Stallabrass, Gary Jones, Shalini Kashyap, Nigel Smethers, Ian Smith, Bill Farren and Tim Ward.

3. Minutes of the last meeting (3 June 2014)

The minutes were approved.

4. Key discussion items:

- IASB – Exposure draft, Disclosure initiative (Proposed amendments to IAS 1) (RD: 23 July 2014)
 - Draft Response

The group discussed the final draft of this consultation response and agreed that this would be ready to be submitted.

MG

- FRC - Invitation to Comment on the IAASB Exposure Draft of proposed changes to several International Standards on Auditing (ISAs) that address disclosures in the audit of financial statements (RD: 4 August 2014)

Please refer to bullet point below.

- IAASB - Exposure Draft of proposed changes to several International Standards on Auditing (ISAs) that address disclosures in the audit of financial statements (RD: 11 September 2014)

Regarding the two consultations above, the group agreed that there are challenges around materiality and that it would be important to define materiality in a quantitative environment, without encouraging more disclosure or increasing the length of the checklist. The group decided to respond to these consultations with an identical short letter including these views and the points raised on our IASB consultation response (September 2013). MG will draft the letter and send it to the group for comments.

MG/ALL

- EFRAG - Revised IASB Exposure Draft Leases - Additional public consultation on lessee accounting (RD: 22 August 2014)

AA explained that there are concerns that the American model being introduced by the IASB focuses on balance sheet visibility and it is still very complex. The FRC, together with EFRAG, has

produced this discussion paper to find out whether users believe that it is important for them to be transparent and have the liabilities on the balance sheet.

The group agreed to submit a response to this consultation. MG will send an email looking for a volunteer to draft the response.

MG/ALL

5. Communications/Future Meetings

- FRC statement on true and fair view – for information

This was included for information only and was not discussed.

- IASB/FASB converged Standard on the recognition of revenue from contracts with customers – for information

This was included for information only. KJ explained that this was an issue the QCA was active on and it has now come out.

- FRC Guidance on the Strategic Report – for information

This was included for information only and was not discussed.

- ESMA Report on IFRS 3 -Business combinations – for information

This was included for information only and was not discussed.

- FRC eNewsletters on financial reporting, 'Setting the Standard' – for information

This was included for information only and was not discussed.

- ESMA final guidelines on enforcement of financial information – for information

This was included for information only and was not discussed.

- Policy Update Briefing (June 2014) – for information

This was included for information only and was not discussed.

- Guests for future meetings

This was included for information only and was not discussed.

6. A.O.B.

No new items were discussed.

7. Date of next meeting

4.30pm Tuesday 16 September 2014 with Anna Colban and Phil Fitzgerald, FRC, as guests (Venue: TBC)

8. Action Points

| Action | Person | Timetable |
|---|---------------|-------------------------------------|
| Submit response to IASB – Exposure draft, Disclosure initiative (Proposed amendments to IAS 1) | MG | ASAP (before RD: 23 July 2014) |
| Draft and circulate response to FRC - Invitation to Comment on the IAASB Exposure Draft of proposed changes to several International Standards on Auditing (ISAs) that address disclosures in the audit of financial statements | MG/ALL | ASAP (before RD: 4 August 2014) |
| Draft and circulate response to IAASB - Exposure Draft of proposed changes to several International Standards on Auditing (ISAs) that address disclosures in the audit of financial statements | MG/ALL | ASAP (before RD: 11 September 2014) |
| Find volunteer and draft response to EFRAG - Revised IASB Exposure Draft Leases - Additional public consultation on lessee accounting | MG/ALL | ASAP (before RD: 22 August 2014) |