



**The Quoted
Companies Alliance**

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Steven Leonard
Financial Reporting Council
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27 August 2009

Dear Mr Leonard,

Financial Reporting Council – Going Concern and Liquidity Risk: Guidance for Directors of UK Companies – Exposure Draft (May 2009)

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which we define as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of the UK quoted companies by number. Their individual market capitalisations tend to be below £500m.

The QCA is a founder member of European**Issuers**, which represents over 9,000 quoted companies in thirteen European countries.

RESPONSE

Thank you for the opportunity to discuss this paper with Ian Wright recently. Overall we are very pleased with this Exposure Draft and especially with the decision to stay with three basic conclusions that directors can reach when evaluating going concern.

We believe that it is an easily-digestible document that both executive and non-executive directors can read and understand what issues they should consider when undertaking this important evaluation. With Non-Executive Directors in the spotlight recently as a result of the current financial crisis, we would suggest adding a sentence into the 'Introduction and overview' section of the document that highlights the need for Non-Executive Directors to understand the issues presented throughout this document and that emphasises the responsibility of Finance Directors to educate the Board on going concern. Adding this sentence aims to ensure that the whole Board has responsibility for taking part in the going concern evaluation process.

Below is our response to the specific consultation questions:

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Page 2.

1. *Do you agree that the FRC should provide guidance on going concern relevant for directors of all companies? If so, do you believe that the Exposure Draft achieves this in a balanced way?*

Yes, we agree and believe that the Exposure Draft achieves this in a balanced way.

2. *Do you agree with the principles as drafted? If not, how would you amend them?*

Yes, we agree with the principles and believe that they are a good way to organise the various topics involved.

3. *Do you agree with the three conclusions? If not, please explain what alternative you would suggest?*

Yes, we agree with the three conclusions.

4. *Do you agree that the directors should disclose when the period they have considered is less than twelve months from the date of approval of half-yearly and interim financial statements that give a true and fair view?*

Yes, we agree.

5. *Do you believe that it would be appropriate to replace existing Guidance for directors with this document for periods ending on or after 31 December 2009? If not, what alternative application date would you suggest?*

Yes, we believe that the proposed application date for periods ending on or after 31 December 2009 is appropriate.

If you wish to discuss these issues with us, we will be pleased to attend a meeting.

Yours sincerely,

A handwritten signature in black ink that reads "John Pierce". The signature is written in a cursive style and is underlined with a single horizontal line.

John Pierce
Chief Executive

APPENDIX A

QCA Going Concern Working Group

Andrew Viner	BDO Stoy Hayward LLP
Nicholas Narraway	Moorhead James LLP
Martin Finnegan	Nabarro LLP
Chris Ogle	SQC Consultant
Clive Garston	Davies Arnold Cooper LLP
John Pierce	The Quoted Companies Alliance
Kate Jalbert	The Quoted Companies Alliance

THE QUOTED COMPANIES ALLIANCE (QCA)

A not-for-profit organisation funded by its membership, the QCA represents the interests of SQCs, their advisers and investors. It was founded in 1992 and originally known as CISCO.

The QCA has nearly 400 members. 75% of these are smaller companies quoted on the stock market, or companies with aspirations to join. 25% are drawn from the full range of professional advisory firms whose business is either wholly or significantly derived from servicing smaller companies.

The QCA is governed by an elected Executive Committee, and undertakes its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- introduction of, or changes to, legislation affecting SQCs
- corporate governance
- share schemes for employees
- trading, settlement and custody of shares
- structure and regulation of stock markets for SQCs; Financial Services Authority (FSA) consultation
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from the Accounting Standards Board
- company law reform

The QCA is a founder member of European **Issuers**, which represents over 9,000 quoted companies in twelve EU member states.

QCA's AIMS

As the only organisation dedicated solely to the particular interests of the SQC sector, the QCA has three primary goals:

Identification

To create a distinct identify for the SQC sector, and demonstrate its value to the stock markets and the UK economy.

Representation

To pro-actively pursue and represent the interests and requirements of the SQC sector to enable it to increase its contribution and ensure that its specific needs are addressed.

Affiliation

To build a strong and vocal collective body of support from within the SQC sector, among corporate directors and securities industry leaders.

DEFINITION

The Quoted Companies Alliance definition of Smaller Quoted Companies (SQC) is:

- all fully listed companies – excluding the top 350 ie with market cap of £340m+
- plus companies quoted on AIM
- plus companies quoted on PLUS

The QCA also represents companies planning to float.

SQCs contribute to the economy:

- there are approximately 2,000 SQCs
- they represent around 85% of the total of quoted companies by number
- they employ 2 million people
- this figure represents around 10% of total private sector employment
- every 5% growth in the SQC sector could reduce UK unemployment by a further 100,000
- They generate:
 - corporation tax paid of £2.0 billion pa
 - income tax paid of £5.0 billion pa
 - social security paid of £2.0 billion pa

The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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