

Business Law  
The Institute of Chartered Accountants in England and Wales  
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8 June 2016

Dear Sirs,

**Exposure draft on updated guidance on realised and distributable profits**

***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries. The Quoted Companies Alliance Financial Reporting Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

***Response***

We welcome the opportunity to respond to this consultation. We generally support the proposed amendments stated in the exposure draft on updated guidance on realised and distributable profits.

However, we would like to make one point with regards to paragraph 2.3. We note that the guidance stipulates that an expectation of future trading losses should be taken into account when assessing whether a dividend can be paid. Whilst we agree, in principle, that this is appropriate for a director, we believe that further clarity is needed regarding the definition of 'expectation', as well as the degree of certainty required around future trading losses. We believe that, at present, an insolvency situation could arise where there is confusion about whether dividends are legal or not and whether directors have breached their fiduciary duties.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours faithfully,



Tim Ward  
Chief Executive

**Quoted Companies Alliance Financial Reporting Expert Group**

<b>Matthew Stallabross (Chairman)</b>	<b>Crowe Clark Whitehill LLP</b>
Matthew Howells (Deputy Chairman)	Smith & Williamson LLP
Jonathan Compton	BDO LLP
Amy Shephard	Deloitte LLP
Neil Armstrong	Frontier Developments PLC
Gary Jones	Grant Thornton UK LLP
Anthony Carey	Mazars LLP
Joseph Archer	PKF Littlejohn LLP
Andrew Westbrook	RSM
Donna Caira	Saffery Champness
Ian Davies	Vislink PLC
Edward Beale	Western Selection Plc