

15 March 2012

Dear colleague,

## **PREPARATION OF ACCOUNTS OTHER THAN BY REFERENCE TO UK GAAP OR IFRS**

We have recently been considering whether there are any circumstances when it might be appropriate, where the company wished, for a UK company's parent and group financial accounts to be capable of being prepared by reference to an accountancy framework that was neither UK GAAP or IFRS. This letter seeks views on whether the law should be amended to explicitly provide for this in certain limited circumstances.

2. I would welcome views – and in particular on whether any body would be significantly disadvantaged – **by Friday 13 April**.

3. As this is a relatively technical proposal we believe the most appropriate way of gaining views is through a letter to those we believe most likely to be interested in the subject – we would be grateful if you could pass it onto anyone else whom you think might be interested. A copy will also appear on the BIS website.

### The Policy Proposal

4. The proposed new arrangements would only apply to Companies Act companies which did not have securities admitted to trading on a regulated market of an EEA country but did have them admitted to trading on a market of a country outside the EEA which requires reporting in accordance with a GAAP that had been deemed equivalent under Regulation EC 1569/2007.

5. This test for equivalence means that the company and group financial statements should enable investors to make a similar assessment of the assets and liabilities, financial position, profit and losses and prospects of the issuer as financial statements drawn up

under IFRS, with the result that investors are likely to make the same decisions about the acquisition, retention or disposal of securities of an issuer.

6. In these circumstances we would propose that for the accounting periods that ended on or after 1 October 2011, but began before 1 October 2014, the company would be able to prepare parent and group accounts in accordance with the relevant equivalent GAAP provided they stated explicitly the basis of preparation. They would also need to meet the requirements of the relevant EU Accounting Directives. (For the avoidance of doubt, companies would also need to meet the UK requirements for narrative reporting.)

7. This proposal would not extend to groups that included a company that was a bank or insurer.

#### The legal details

8. Explicit provision for this policy would be achieved by recognising, under s464 CA 2006, FASB and its Japanese equivalent as additional bodies that issued accounting standards, for the specific limited purposes set out above.

#### Questions

9. I would welcome your views on this idea. In particular:

1. How many companies might take advantage of such provisions? What would be the benefit?
2. Would these proposals disadvantage any users of accounts? If so how, and to what extent?
3. In the definition “securities that had been admitted to trading on a market of a country outside the EEA which requires reporting in accordance with a GAAP that had been deemed equivalent under Regulation EC 1569/2007” do you have a view on how best to define “admitted to trading on a market of a country”?

Yours sincerely,

*Richard*

**RICHARD CARTER**  
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