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Dear Jenny

FRED 65: Draft amendments to FRS 101 *Reduced Disclosure Framework* - Notification of shareholders

We are pleased to have the opportunity to comment on *FRED 65: Draft amendments to FRS 101 Reduced Disclosure Framework - Notification of shareholders* (the Exposure Draft).

We agree with the proposal to remove the requirement for a qualifying entity to notify its shareholders about the proposed use of the disclosure exemptions set out in *FRS 101 Reduced Disclosure Framework* and the similar consequential amendments to FRS 102. The application of this requirement in practice has given rise to a number of implementation issues, particularly for companies that have a broad and fluid shareholder base.

We note, however, that the proposals go beyond the removal of the requirement for a qualifying entity to notify its shareholders; they also remove the right of non-controlling interests to object to the use of the disclosure exemptions. We are concerned that there may be situations when minority shareholders would wish to receive more full information but would have no method of insisting on that.

Prior to the introduction of FRS 101 and FRS 102, disclosure exemptions for subsidiary companies (eg those in FRS 1 and FRS 29) only applied if 90% or more of the shares were held by the parent and did not require pre-notification of the affected shareholders. Furthermore, sections 400 and 401 of the Companies Act 2006 afford minority shareholders a right to object to an intermediate parent company taking advantage of the exemption from preparing group accounts and, from 1 January 2016, does not require pre-notification of the affected shareholders where the parent owns less than 90% of the subsidiary.

We urge the FRC to consider whether minority shareholders might retain the right to object to the use of the reduced disclosure framework notwithstanding the removal of the obligation on the company to inform them of its intended use. This might be achieved, for example, by amending FRS 101.5(a) and FRS 102.1.11(a) as follows:

Its shareholders have been notified in writing about, and do not object to, the use of the disclosure exemptions. In the case of a subsidiary where the parent owns less than 90% of the allotted shares in the company, objections to the use of the disclosure exemptions have not been served on the qualifying entity within may be served on the qualifying entity, in accordance with reasonable specified timeframes and format requirements, by a shareholder that is the immediate parent of the entity, or by a shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in the entity or more than half of the allotted shares in the entity that are not held by the immediate parent. The objection must be served at least six months before the end of the financial year to which it relates.

This wording is similar to that used in sections 400 and 401 of the Companies Act 2006 regarding subsidiaries where the has parent less than 90% interest, which applies to years beginning on or after 1 January 2016.

We have no comments on the costs and benefits identified in the Consultation Stage Impact Assessment.

If you wish to discuss any of the points further, please do not hesitate in contacting me.

Yours sincerely,



Nicole Kissun
Partner
For and on behalf of BDO LLP