From: Hicks, Bill [mailto:Bill.Hicks@tateandlyle.com]
Sent: 07 February 2012 09:25
To: Rottenberg Rufus (BE)
Subject: Audit exemptions

Rufus

I am e-mailing you in response to a request you made to Matthew Fell on 24 January in connection with the BIS consultation on changes to audit exemptions. Matthew passed on the request to members of the CRI's Financial Reporting Panel; I am the chairman of that Panel, but I should emphasise that these are my own views and are not necessarily those of my colleagues. Accordingly, this e-mail should not in any way be regarded, or referred to, as a CBI response.

I appreciate that the extent of these proposals are limited by the provisions of Article 57 which, in effect, restricts its concessions to wholly-owned subsidiaries or those where all shareholders agree. With that in mind, I welcome the proposals but believe they should be extended such that all qualifiying subsidiaries (not just dormants) are able to enjoy the exemption from preparation and filing of accounts, as well as audits. This is the exemption offered in Germany, and such an approach would demonstrate unambiguously the Government's commitment to reducing "gold plating" of EU legislation. I am not convinced by the arguments against the extension of this exemption as set out in paragraph 52; in the case of tax, HMRC receives returns through XBRL and will retain the ability to demand more detailed information, whilst I believe that other stakeholders will influence the extent of the eventual take-up of the exemption. Indeed, my own experience leads me to suspect that the actual take-up of even just the audit exemption will be limited, but this is no reason not to offer the extended exemption. FAILURE TO PREPARE AND FILE ACCOUNTS WILL RISK LOSING TRANSPARENCY - SO I REJECT THIS VIEW

On parental guarantees, I welcome the decision not to extend the guarantee to all liabilities. However, the reason for this proposal as set out in paragraph 64 "the Government does not want to gold plate the Directive by making the parent company guarantee more than the debts that subsisted at the balance sheet date……" could equally be applied to option (b) under paragraph 63 in respect of the time limit of the debts guaranteed. I am not in favour of option (a), which appears open-ended; an approach more in keeping with the going concern support (generally 12 months from the date of approval of the accounts) would seem more workable. There is a related issue in that parent companies adopting IFRS would be required to account for these guarantees under IAS 39, which would require fair value, potentially a costly exercise. I am aware that there have been proposals made to the ASB to remove this anomaly in UK GAAP. I THINK HE WANTS THE GUARANTEE TO OPERATE ONLY FOR 12 MONTHS FROM THE APPROVAL OF THE ACCOUNTS. I F THIS IS THE CASE I DISAGREE. THE COMPANY NEEDS TO GUARANTEE THE DEBTS ARISING IN THE FINANCIAL YEAR IN WHICH THERE IS NO AUDIT UNTIL THOSE DEBTS ARE PAID - TO MAKE THE GUARANTEE FOR 12 MONTHS WOULD MEAN THEY COULD ALLOW THE GUARANTEE TO LAPSE AFTER 12 MONTHS AND CREDITORS COULD LOSE OUT. IF THE GUARANTEE HAS TO BE VALUED AT FAIR VALUE, SO BE IT - WE CAN'T DO ANYTHING ABOUT THIS

Finally, the consultation makes reference in paragraph 75 to the request made by the ASB to amend the Companies Act such that a decision to implement would be a relevant change in circumstance for the purposes of switching from IFRS to UK GAAP, but provides no further conclusions on the issue. I believe that such a decision, no matter when made, should be regarded as a relevant change, notwithstanding that the change itself is the circumstance. An alternative of, for example, making the change the actual effective date of the ASB's proposals, would be too limiting. With regard to the proposals undr paragraph 79, option (d)

would appear preferable compared to an artificial time limit; whilst I accept the theoretical risk of tax arbitrage, the costs of such an exercise and the powers of HMRC to challenge would mitigate against such a risk.

CLARE - PLS ADD HIM TO THE "WITHOUT TIME LIMIT" ADVOCATES. I DON'T LIKE THE SOLUTION THAT THE CHANGE ITSELF IS A RELEVANT CHANGE IN CIRCUMSTANCES. GOVT PROPOSAL CAN ALWAYS SAY THAT ITS SCHEDULED REVIEW WILL PICK UP WHETHER THE 5 YEAR TIME LIMIT IS APPROPRIATE OR NOT.

I trust you find these comments helpful and, such you require any clarification, I would be happy respond further.

Bill Hicks