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For the attention of Karen Shaw

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Dear Ms Shaw

## Making Corporate Reports Readable

Grant Thornton UK LLP welcomes the opportunity to comment on the discussion document *Making corporate reports readable – time to cut to the chase*.

This document is a useful contribution to the debate about communication with users of annual reports. Grant Thornton agrees that corporate reports are unsatisfactory in their current form and supports the aim of encouraging directors to provide a clear picture of the business model and the expectations of the business going forward.

We enclose for your reference a copy of our recent comment letter to the Financial Reporting Council (FRC) on their *Louder than Words* Discussion Paper, where we noted that the FRC Paper had acted as a focal point for concerns on complexity and general obfuscation in corporate reports. We also noted the potential scope for differential reporting, for example delivering to all users the basic information, with more detailed analysis (such as details of all share option awards, if that were required) made available outside the 'primary' document. We noted that developing a better focussed, more relevant form of Summary Financial Statements would be an appropriate starting point.

In our opinion the example Short Form Report provided for Model Bank Group plc does leave a number of areas where a user would need more detail in order to understand what the group has done and its position going forward, especially in the area of uncertainties, for example in relation to goodwill impairment testing.

The impression given is that the paper considers the point of view of a user of the accounts being a non-professional investor. However, in reality there are a number of different viewpoints which will need to be considered in the debate about communication and clutter in annual reports in order to give a level playing field in terms of the provision of information useful to professional analysts and others.

Other aspects to the debate include use of the annual report for disclosure requirements which may not be appropriate, leading to clutter and cost, but also to time pressure and therefore a decrease in the quality of parts of the annual report which are justifiably time sensitive. There is also the risk of legal action against directors who speak freely in annual reports, which leads to boiler-plate disclosure with little useful information. These aspects are not considered in the paper.

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We believe that a report such as the Short Form Report proposed could work, with the remaining information required by regulators filed separately in an accessible place. This would help the aim of improving communication, although it does not address the risk of legal action mentioned above and would not reduce the cost to the business of producing the information. In order to encourage use of this Report, there will need to be a cost benefit to preparers.

The timing of publication of the Short Form Report also needs to be considered. In our view, this could be published as the preliminary announcement, although this would increase time pressure on directors at that time.

Our view is that auditors should be enabled to provide some form of assurance on a report such as the Short Form Report, in order for users to feel more comfortable placing reliance on it. The form of any assurance report would need to be in place before companies are to move forward with the Short Form Report.

A key question to address is how to obtain stakeholder buy-in. A possible way to approach this is to bring together a working group of key institutional investors to see if a market-led solution could be developed rather than waiting for regulatory intervention.

In summary, the Short Form Report might address some key issues relating to communication in an easy-to-understand manner, but the proposal leaves questions unanswered regarding how it would fit together with the need to provide all of the information that users require for their decisions. Nevertheless, the Short Form Report has the potential to be a stepping stone towards achieving an improved reporting framework.

Yours sincerely

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For Grant Thornton UK LLP