

From: [REDACTED]@frc.org.uk] (s.40)
Sent: 03 December 2015 11:16
To: [REDACTED] (s.40)
Cc: [REDACTED] (s.40)
Subject: RE: do you want to respond to this

[REDACTED] (s.40)

This is what we will respond with.

The FRC is aware that the LAPFF has written to company Chairmen. Their letter deals with a very narrow point of company law in terms which we cannot support and raises uncertainty unnecessarily. The FRC and the government have confirmed that the Companies Act 2006 does not require the separate disclosure of a figure for distributable profits.

I have now had an enquiry from a journalist named [REDACTED] (s.40) who you will find on twitter as [REDACTED] (s.40)

[REDACTED]

[REDACTED]
[REDACTED]
Financial Reporting Council

[REDACTED] (s.40)

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www.frc.org.uk



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From: [REDACTED]@bis.gsi.gov.uk] (s.40)
Sent: 03 December 2015 10:58
To: [REDACTED]@frc.org.uk> (s.40)
Cc: [REDACTED]@bis.gsi.gov.uk [REDACTED]@bis.gsi.gov.uk [REDACTED]@bis.gsi.gov.uk (s.40)
Subject: RE: do you want to respond to this

[REDACTED] (s.40)

I really think this should be kept factual which would mean the line should read:

The FRC is aware that the LAPFF has written to company Chairmen. Their letter deals with a very narrow point of company law and seeks to raise uncertainty unnecessarily. The FRC and the government have confirmed that the Companies Act 2006 does not require the separate disclosure of a figure for distributable profits.

If your lawyer was comfortable, you might include the line "The FRC does not agree with the LAPFF's interpretation of company law on this matter" but I couldn't agree to you including a reference to the Government in the sentence as we haven't had time

to speak with our lawyer on the point (and may not be able to do so quickly as he is not in the office today).

Regards

[REDACTED]

[REDACTED]@bis.gsi.gov.uk

Department for Business, Innovation and Skills

(s.40)



The Department for Business, Innovation and Skills (BIS) is making a difference by supporting sustained growth and higher skills across the economy. **BIS: working together for growth**

From: [REDACTED]@frc.org.uk] (s.40)

Sent: 03 December 2015 10:48

To: [REDACTED] (s.40)

Cc: [REDACTED] (s.40)

Subject: RE: do you want to respond to this

I haven't sent it to Reuters yet so will change the first paragraph as follows:

The FRC is aware that the LAPFF has written to company Chairmen. Their letter deals with a very narrow point of company law and seeks to raise uncertainty unnecessarily. **The FRC and the government have confirmed that the views of the LAPFF on this matter of company law are incorrect.** The Companies Act 2006 does not require the separate disclosure of a figure for distributable profits.

[REDACTED]

[REDACTED]
Financial Reporting Council

[REDACTED]@frc.org.uk

(s.40)

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From: [REDACTED]@bis.gsi.gov.uk] (s.40)

Sent: 03 December 2015 10:32

To: [REDACTED]@frc.org.uk> (s.40)

Cc: [REDACTED]@bis.gsi.gov.uk [REDACTED]@bis.gsi.gov.uk> (s.40)

Subject: RE: do you want to respond to this

[REDACTED] (s.40)

I am very concerned by the wording in the first paragraph. We have never said that the views are "incorrect and may be disregarded". What we have said is that the Companies Act 2006 does not require the separate disclosure of a figure for distributable profits. Ultimately, whether the views of the LAPFF are incorrect would be a matter for the courts.

Regards

[REDACTED]

[REDACTED] Department for Business, Innovation and Skills
[REDACTED]@bis.gsi.gov.uk [REDACTED] (s.40)

 Department for Business, Innovation & Skills

The Department for Business, Innovation and Skills (BIS) is making a difference by supporting sustained growth and higher skills across the economy. **BIS: working together for growth**

From: [REDACTED]@frc.org.uk] (s.40)

Sent: 03 December 2015 10:22

To: [REDACTED] (s.40)

Cc: [REDACTED] (s.40)

Subject: RE: do you want to respond to this

[REDACTED] (s.40) et al,

[REDACTED] (s.40) at Reuters has now been sent the letter by the LAPFF. This suggests that the LAPFF is now involving more media outlets after its Times 'exclusive' this morning.

We have updated our response slightly from last night to strengthen the first paragraph and to bring in some of what we said when the latest Bompas opinion was produced a few weeks ago.

I have suggested that he contacts BIS as well.

[REDACTED] (s.40)

The FRC is aware that the LAPFF has written to company Chairmen. Their letter deals with a very narrow point of company law and seeks to raise uncertainty

unnecessarily. The FRC and the government have confirmed that the views of the LAPFF on this matter of company law are incorrect and may be disregarded.

The issue raised by the LAPFF was extensively looked at previously by counsel leading to BIS and the FRC's statement in 2013 and updated True and Fair guidance in June 2014, which reconfirmed that the presentation of a true and fair view remains a fundamental requirement of financial reporting.

Last week the FRC's Financial Reporting Lab published a report on dividend policy and practice disclosure following an 18 month project which involved the participation of 19 companies and 31 investors. <https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2015/November/Making-dividends-disclosures-more-relevant-for-inv.aspx>

All investors consider that the disclosure of dividend resources, i.e. cash and the amount of the company's reserves legally available for distribution under company law (distributable profits), is helpful in circumstances where the ability of the company to pay dividends is, or might be, insufficient relative to the level of dividends indicated by the policy. However the Companies Act 2006 does not require companies to identify separately distributable profits on their balance sheet.

The key message in the report is that companies, investors and the FRC consider that disclosure of dividend policy and resources, including distributable profits, may be helpful. In addition to demonstrating the board's stewardship of the company, they provide key information used by investors in evaluating the extent to which returns may be provided in the form of dividends in future.

The report also highlights examples of good and proportionate disclosure practice. Investors said that terms such as 'progressive' and 'payout ratio' in respect of a company's dividend policy or approach need to be clarified. They also told us that they recognise that the unexpected can and does happen and by providing disclosures, companies are not painting themselves into a corner.

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