



Deepa Raval
Financial Reporting Council
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15 November 2013

Dear Sirs

Re: BVCA response to FRC Exposure Draft: Guidance on the Strategic Report

Background to the BVCA

The British Private Equity and Venture Capital Association “BVCA” is the industry body for the private equity and venture capital industry in the UK. With a membership of over 500 firms, the BVCA represents the vast majority of all UK based private equity and venture capital firms, as well as their professional advisers. This submission has been prepared by the BVCA’s Legal & Technical committee, which represents the interests of BVCA members in legal, accounting and technical matters relevant to the private equity and venture capital industry.

Our members have invested £33 billion in over 4,500 UK companies over the last five years. Companies backed by UK-based private equity and venture capital firms employ over half a million people and 90% of UK investments in 2012 were directed at small and medium-sized businesses. As major investors in private companies, and some public companies, our members have an interest in financial reporting matters, the conduct and information presented by such companies, and the burdens placed on the management of such companies.

Private equity ownership involves the close alignment of interests between investors and the management of a company, and this leads to closer and often more informal relationships than between comparable forms of ownership. As such, the level of communication between these parties tends to be high, and to a level that covers the areas investors require.

The BVCA welcomes the opportunity to comment on the Exposure Draft and to make a contribution to the development of high quality corporate reporting for UK companies. We support the draft guidance issued by the FRC and believe that it will help companies formulate their approach to the Strategic Report and should contribute to an improvement in the standard of disclosure. We believe the focus on principles is appropriate to avoid boilerplate type disclosures and we welcome the provision of examples to help companies with the practical application of the requirements. Our comments on the specific questions are set out below.

Question 1

Yes, we consider that the draft Illustration 1 is a helpful and practical analysis of the purpose of each part of the annual report.

Question 2

Yes, we believe that the objectives are clearly stated. We believe that the objectives could recognise that a further objective of an annual report is to satisfy certain information requirements of other stakeholders such as the providers of debt finance.



Question 3

Yes, we believe the draft guidance in 3.10 to 3.14 will help make the annual report more understandable and relevant. We suggest that you consider alternative sources of investor information such as the entity's website as a possible way to allow companies to make additional, more detailed disclosures should they choose. We consider that the annual report should cross reference any additional information published online.

Question 4

We believe the draft guidance is helpful. We believe you might consider including a short comment on the importance of materiality being assessed on both a "quantitative" and "qualitative" basis.

Question 5

We believe the "communication principles" set out are a good analysis of the characteristics of good communication. We believe the purpose of the strategic report could be extended to recognise other stakeholders.

Question 6

Yes, we consider the draft guidance in paragraphs 6.26 and 6.27 to be properly balanced.

Question 7

We consider that more guidance could be included to help companies determine the extent of disclosure required on their business model, their strategy and objectives where the company has a number of business lines, each with a distinct business model. We consider a tabular presentation analysing the activities of the company might be a helpful way to address this.

Question 8

Subject to our comment under Question 7, we are satisfied that the level of draft guidance in paragraphs 6.38 to 6.41 is sufficient.

Question 9

Yes, we believe the draft guidance in this area is sufficient.

Question 10

Yes, we believe the linkage examples are useful and they provide helpful guidance to companies on the qualitative characteristics of disclosures that should be included in the strategic report.

The BVCA would of course be willing to discuss further this submission and, if you so wish, you should contact Gurpreet Manku.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Witney'.

Simon Witney
Chairman – BVCA Legal and Technical Committee