



**The Quoted
Companies Alliance**

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Cabinet of Commissioner McCreevy
European Commission,
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16 May 2006

Dear Commissioner,

International Financial Reporting Standard: IAS 14/ED8 – Operating Segments

I am writing as Chief Executive of an organisation which represents the interests of more than 2000 smaller quoted companies in the UK. Normally, I would not write to you on such a topic, but I believe the unintended consequences, which could be unhelpful to the EU economy, require to be considered from a broader perspective than that of the IASB.

The innovation, entrepreneurship and vitality of smaller companies is very important for the growth of the EU economy. Those attributes invariably lead to job creation and new products or services, which until established, need to be nurtured and supported away from the glare of the 'public gaze'.

My purpose in writing is to draw your attention to a proposal from the IASB which we believe will have consequences that will work against the competitive ability of smaller quoted companies in the EU.

Accounting proposal ED8 will force all companies to report a segment by segment analysis of their business. This is not a problem for large companies who can 'lose' new product data within a larger division. However, we do believe there is potential harm to smaller companies by imposing this 'one size fits all' solution.

Until now, UK companies can opt out of a similar disclosure requirement if publishing the information is deemed to be commercially prejudicial. We would urge you to support a similar exemption across the EU but confined to smaller companies – say a market of value under 500 million euros (or a figure to be agreed), who could "comply or explain" as under corporate governance. This will help smaller EU companies develop without their (non-EU) competitors gaining valuable information. For

example, we see companies in the pharmaceutical and renewable energy sectors being especially vulnerable to such damage.

This is a disclosure matter, it is not a question of accounting principle. It is a minor matter in the overall scheme of (IFRS) things. It is vitally important to a lot of smaller companies in the EU, and is important to the sustained development of new commercial ideas from small businesses. ED8 is a dangerously 'one size fits all' proposal.

I write to you because I believe none of the above arguments will influence the IASB who are concerned solely with technical accounting outcomes and not economic or social outcomes.

I hope you will support our concern and refer this matter and IAS14 for further considerations, via ARC or EFRAG.

Yours sincerely.

A handwritten signature in black ink that reads "John Pierce". The signature is written in a cursive style and is underlined with a single horizontal stroke.

John Pierce
Chief Executive

cc International Accounting Standards Board (IASB)
UK Accounting Standards Board (ASB)
European Financial Reporting Advisory Group (EFRAG)
Ulf Linder – European Commission
David Wright, European Commission
Pierre Delsaux, European Commission
Department of Trade & Industry (Accounting Regulatory Committee)