The Financial Reporting Council

Annual Report and Accounts

2010 - 2011

The Financial Reporting Council is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.

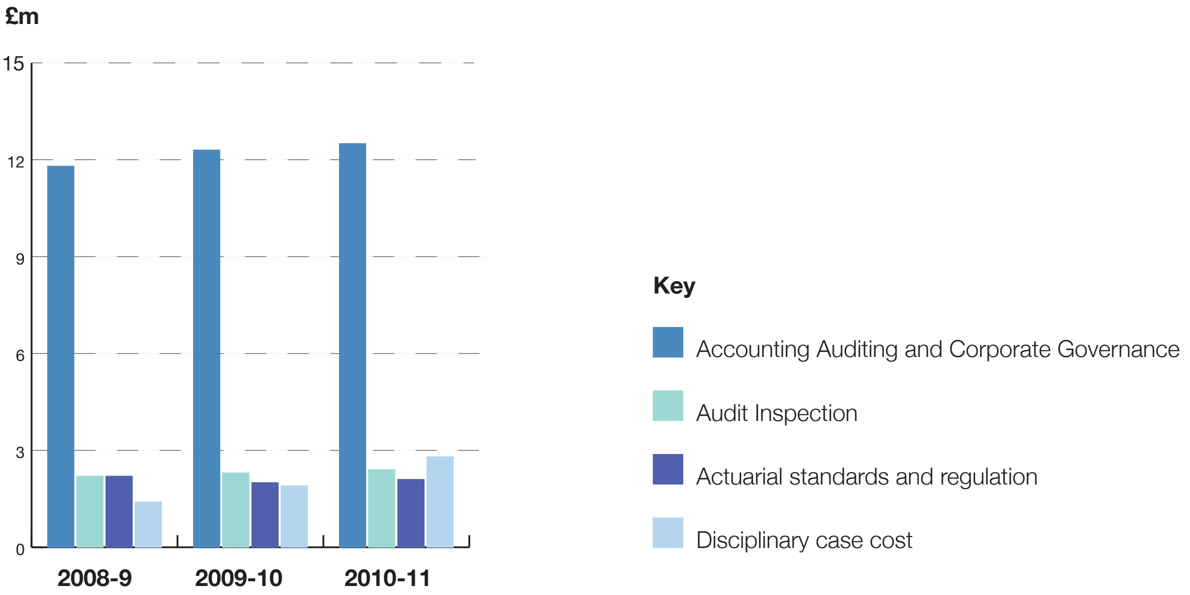
We promote high standards of corporate governance through the Corporate Governance Code. We contribute to high-quality corporate reporting by setting standards for accounting, auditing and actuarial practice, influencing international standards, and monitoring the implementation of accounting and auditing standards in the UK. We also oversee the regulatory activities of the professional accountancy and actuarial bodies and operate independent disciplinary arrangements for public interest cases involving accountants and actuaries.

We believe that good corporate governance and reporting are essential to the effective operation of a free capital market. Good governance improves boards' ability to enhance performance effectively as well as providing accountability to shareholders. Good reporting meets the needs of investors for relevant and clearly-communicated information on governance, business models and company performance.

We hope this Annual Report will be of interest to our many stakeholders, including investors, auditors, accountants, actuaries and other financial professionals, and preparers and users of financial reports. The FRC's audited financial statements for the reporting year ended 31 March 2011 are included in section 3.

Net Core operating costs

(Source: Annual Accounts 2008/9 - 2010/11)



Highlights of the year

The FRC published the UK Stewardship Code for institutional investors, intended to stimulate significant improvement in their engagement with UK listed companies

The Accounting Standards Board published a report, ‘Cutting Clutter’, a practical guide for compliers of annual reports

The Accounting Standards Board published proposals for the future of UK GAAP

The FRC’s discussion paper on ‘Effective Company Stewardship’ put forward a range of ideas for the enhancement of corporate reporting, auditing and the work of audit committees and boards

The Board for Actuarial Standards completed its suite of technical actuarial standards

The Financial Review Reporting Panel reviewed 300 sets of accounts, and set out its views on the characteristics of good reports

The Audit Inspection Unit monitored and reported on the quality of 107 audits and completed 6 full-scope inspections at major audit firms

Contents

97%

of staff feel proud to work at the FRC
(source: annual staff survey)

77%

of surveyed stakeholders believe the FRC is performing effectively as a regulator
(source: Ipsos MORI survey 2011)

Section 1 - Business Review

The FRC at a glance

FRC Board and Corporate Governance Committee

Provides strategic direction and oversight of the FRC's operating bodies and, through its Committee on Corporate Governance, promotes high standards of corporate governance through the UK Corporate Governance Code.

Standards

Accounting Standards Board (ASB)

Issues UK accounting standards and is active in influencing the setting of international standards by the IASB.

Auditing Practices Board (APB)

Issues standards and guidance for auditing, for the work of reporting accountants in connection with investor circulars and for auditors' integrity, objectivity and independence. The APB is also active in influencing the setting of international standards on auditing by the IAASB.

Board for Actuarial Standards (BAS)

The UK's independent setter of technical actuarial standards.

Monitoring and Enforcement

Financial Reporting Review Panel (FRRP)

Aims to improve the quality of financial and corporate reporting. It reviews the reports of publicly traded and private companies for compliance with the law and other reporting requirements and, where appropriate, seeks corrective action from directors.

Professional Oversight Board (POB)

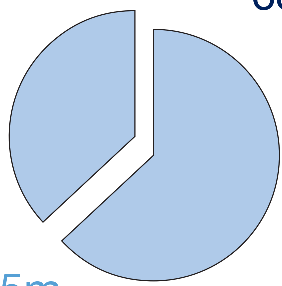
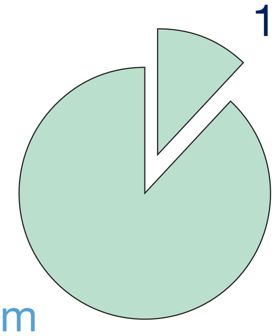
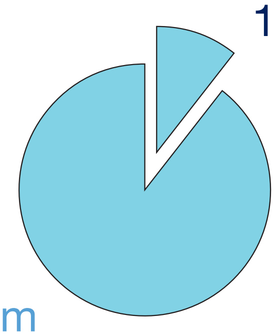
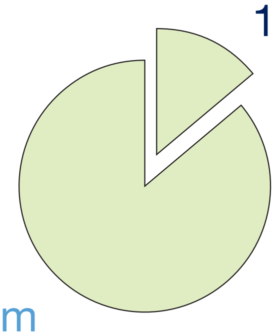
Provides statutory oversight of the regulation of the auditing profession and independent oversight of the regulation of accountants and actuaries by their respective professional bodies.

Audit Inspection Unit (AIU) as part of POB

Monitors the quality of the audits of economically significant entities.

Accountancy and Actuarial Discipline Board (AADB)

The UK's independent investigative and disciplinary body for accountants and actuaries. It is responsible for operating and administering disciplinary schemes for these two professions.

	2010-11 Core operating cost %	2010-11 Staff %
Accounting Auditing and Corporate Governance	63.1%  £12.5m	66
Audit Inspection	12.1%  £2.4m	19
Actuarial Standards and Regulation	10.6%  £2.1m	9
Disciplinary Case Cost	14.2%  £2.8m	8

Chairman's Statement

In the aftermath of the financial crisis, governments and regulators have all needed to review their roles, learn lessons and make changes to ensure that individually and collectively they are fit for future purpose. At the Financial Reporting Council, we have, in the past year, brought into effect a new Corporate Governance Code and – the first of its kind – a Stewardship Code for investors. We have launched a consultation paper on Effective Company Stewardship and a series of discussions on best practice in fulfilment of boards' responsibilities with respect to risk, in order to determine what changes may be needed to bring the existing Turnbull guidance up to date.

Auditors have, in their turn, come under the spotlight, with questions raised as to the value of audit at a time of financial stress. We have taken the opportunity of an inquiry by the House of Lords Economic Affairs Committee into the market for audit services to express our concerns in this area, and invited Lord Sharman to conduct an inquiry into the questions raised about going concern statements. We have enhanced transparency through reports by the Audit Inspection Unit, participated in the debate on the role of accounting standards during the crisis, and consulted on the future of UK GAAP.

We have also participated in the Government's consultation on the future of the financial regulatory architecture. We have stressed the need for close working between regulatory bodies, not least in representing UK interests to European bodies with remits that overlap those of UK regulators, notably the new European Securities and Markets Authority. We welcome the Government's recognition of this need, at a time when the European Commission is consulting on both the regulation of audit and corporate governance. We must preserve the UK's successful "comply or explain" approach, and promote shareholders' rights and encourage shareholder stewardship.

Looking forward, however, we believe the time has come to improve our own effectiveness by streamlining the FRC. Having been patched together out of a series of organisations, some still with elements of self-regulation that leave them vulnerable to challenge, and a series of responsibilities for which successive governments have sought to find a home, the FRC today consists of seven different bodies to do one job: promote high quality corporate governance and reporting to foster investment.

The perpetuation of these silos does not, the FRC's Board believe, serve anyone well. Evidence from our stakeholders is clear: the FRC's structure is hard to understand, even by those who know us best, and impenetrable to others. The overlaps and gaps increase the risks that we will interfere too much in some areas and neglect others. This concern is no criticism of the highly-respected people working in each of our operating bodies, who have earned the FRC its reputation, but rather a frustration that – sometimes because of statutory restrictions - their information and expertise cannot be used to their full potential across the whole organisation.

Some of our activities take us questionably far from our central responsibilities which are to enhance the workings of capital markets by giving investors reason to have confidence in the quality of the reporting, auditing and governance of UK listed companies, and the setting or influencing of the accounting and actuarial standards they use. Crucial to that confidence must be clarity as to the FRC's independence from the professions whose activities we regulate. Ambiguity serves neither the professions nor the markets. At the same time, however, the FRC's access to market and professional expertise have been invaluable. Successful change will depend on our continuing ability to draw on the services of highly-qualified and experienced individuals with real-time experience of how the capital markets and professions are changing, and on our style of consulting and engaging, which are such a distinguishing characteristic of the FRC.

Our key challenge for the coming year, therefore, will be to weave the disparate activities of the FRC into two functional strands: one concerned with the setting of codes and standards, the other with the conduct of companies and professionals. The first would bring closer together our work on governance, stewardship, accounting, audit practices and actuarial standards; the second, our oversight work with respect to financial reports and audits with our disciplinary responsibilities with respect to the professions. To meet this ambition, we will be consulting, together with our sponsoring department, on whether some elements of our current activities can be dispensed with altogether, while ensuring that our powers to discharge our core responsibilities are vested properly in the FRC, and are adequate and proportionate. And as we seek to streamline our executive functions, we will maintain the key differentiating advantage of the FRC, which is the network of external involvement in our committees at all levels of the organisation.

During the coming year we will be keeping in particularly close touch with our stakeholders, on whom we will rely heavily for advice in our efforts to create an FRC that is:

- easier to understand, focused and clear in its purpose
- disciplined, proportionate and restrained in the execution of that purpose
- flexible, acute and sensitive to the impact of its work on companies, markets, professions and the people who work in all three.

It is of great advantage that we have been joined in this task by three new members of the FRC Board in the past year: our new Deputy Chairman, Glen Moreno, and two non-executive Directors, Elizabeth Corley and Nick Land. They bring extremely valuable expertise with respect to the corporate world, the investor community and the accounting profession, and broad experience across a wide range of businesses.

During the year we have, however, also had to say goodbye to two highly experienced members of the Board, John Sunderland and Eric Anstee, who have seen through more than one previous phase in the evolution of the FRC. I would like to thank them personally, as well as on behalf of the FRC, for all they have done. Meanwhile, we have acquired an excellent new Chairman of the Accounting Standards Board, Roger Marshall, following Ian Mackintosh's appointment as Vice-Chairman of the International Accounting Standards Board; our thanks go to Ian, too, for his contribution to the FRC. Our greatest loss, however, came with the sudden, sad death of Barbara Mills, the greatly respected Chairman of the Professional Oversight Board. John Kellas has kindly stepped into the breach, but Barbara's experience, wisdom and energy are much missed by all who knew her.

Baroness Hogg
Chairman

24 June 2011

Our thanks to those who stood down during the year:

Board Members

Ian Mackintosh

Operating Body Members

Christopher Daws

David Crowther

Dianne Hayter

Hilary Daniels

Ian Wright

Jerome Nollet

Julian Lowe

Marisa Cassoni

Martin Eadon

Martin Weale

Mukesh Mittal

Neil Lerner

Richard Barfield

Rupert Beaumont

Tom Troubridge

Chief Executive's Report

During 2010/11 the FRC's focus was on both the immediate and longer term lessons of the financial crisis for corporate governance, reporting and auditing. These issues were not just hotly debated in the UK. They were also a focus for the European Commission and international organisations. The FRC has sought both to learn from the work of others, particularly the House of Lords Select Committee report on the audit market, and to contribute new thinking of its own. In doing so, we have been able to draw on the lessons of our supervisory work in relation to the quality of company accounts and audit, especially as we focused that work closely on risks identified by the crisis. As the Chairman says in her statement, we have also not exempted ourselves from scrutiny and have developed proposals to strengthen further our effectiveness. This has therefore been a year of hard work, learning and challenge for all of us and I should like to add my thanks to those of the Chairman for the tremendous way in which all of our staff and the members of our Board and Operating Bodies have enabled the FRC to respond successfully.

In seeking to learn lessons from the financial crisis and our supervisory work, we have sought to address the failure before the crisis to identify and mitigate risk effectively. In doing so, we have taken up three fundamental issues:

- How can corporate reporting become more meaningful for investors? In particular, how can we ensure that reports properly explain the opportunities and principal risks facing the business?
- How can audit add more value for investors? The crisis revealed a growing gap between public expectations of audit and what it currently delivers. We have therefore looked at how auditors can contribute more to investor confidence, without taking on the responsibilities of management and directors, for the quality of financial information.
- How should corporate governance be reinforced and, in particular, how can the stewardship role of investors be enhanced as a further stimulus to excellent governance?

In each area we have worked hard to drive and influence international debate in view of the increasingly global nature of capital markets and their regulation.

Corporate reporting and risk

Corporate reports have improved in many respects in recent years. However, they are variable in their reporting of risk and have become more cluttered. This has reduced their value in the eyes of investors. We believe annual reports are a vital source of narrative and financial data which are used by shareholders to make investment decisions. To help further enhance their quality, we published a major report, 'Effective Company Stewardship: Enhancing Corporate reporting and Audit'. This proposed that directors should take full responsibility for ensuring that the Annual Report as a whole should provide a fair and balanced account of their stewardship of the business and that they should describe in more detail the steps that they take to ensure the reliability of the information on which their stewardship of the company is based, and the activities of the business and its associated risks. We also proposed that the growing strength of Audit Committees in holding management and auditors to account should be reinforced by them making fuller reports about how they discharged their responsibilities for the integrity of the Annual Report and other aspects of their remit. We also suggested that the Audit Report should give assurance on the completeness and reasonableness of the Audit Committee report and identify any matters in the Annual Report that the auditors believe are incorrect or inconsistent with the information contained in the financial statements. We believe that a requirement to provide fuller reports of this kind will reinforce the quality of dialogue between the Audit Committee and the auditor, particularly about risk. We are now considering responses to this consultation.

The Financial Reporting Review Panel (FRRP) gives us a particularly strong insight into the quality of reporting, as well as helping to ensure companies meet their reporting obligations. The FRRP reviewed around 300 sets of accounts during the year, covering mainly the half-yearly and annual accounts of UK listed companies. In August 2010, it published the results of its 2009/10 reviews and set out the characteristics of corporate reporting which make for a good annual report. The FRRP was pleased to note continuing improvement in companies' descriptions of their significant accounting policies. Particularly in periods of economic uncertainty, users of accounts need to be able to understand why management choose one accounting policy over another and the effect of doing so.

Narrative reporting is an increasing area of focus for the FRRP. It challenged a number of companies where there was an inconsistency between the narrative in the front of the report and the audited accounts at the back. The FRRP will continue to focus on such concerns and, particularly, the descriptions of principal risks and uncertainties and the company's business model.

The actuarial profession also has an important contribution to make to addressing risk. The quality of actuarial assessments is a key component in the assessment of risk and contributes to the soundness of financial information. In 2010/11 the Board for Actuarial Standards (BAS) completed its work on the initial set of Technical Actuarial Standards (TASs) by issuing TASs on:

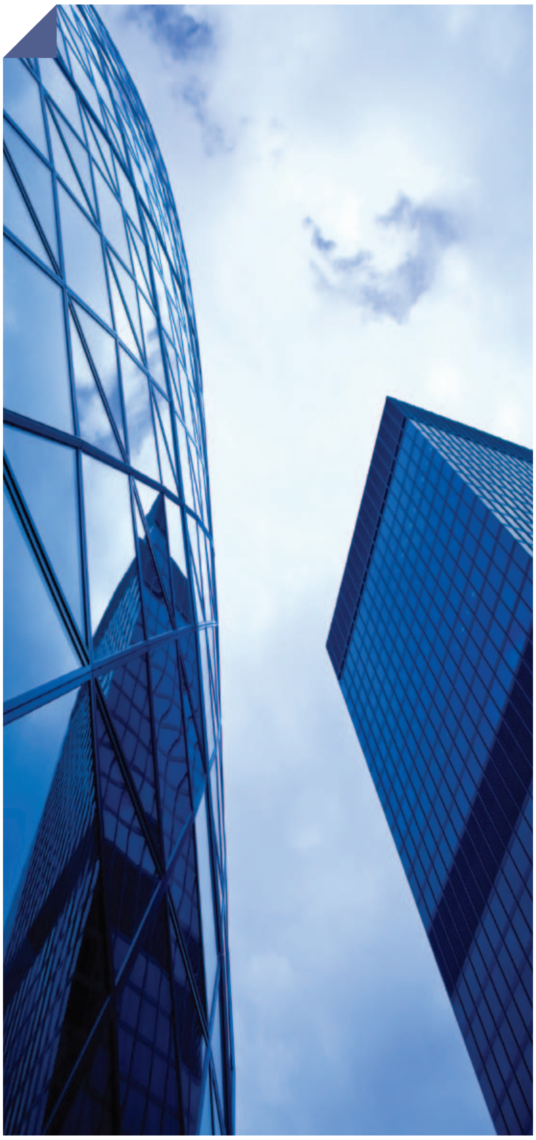
- Insurance, which will help to ensure that managers and directors of insurance companies can rely on actuarial information supplied by their actuaries;
- Pensions, which will help to ensure that trustees and sponsors of pension schemes can rely on the actuarial information supplied by their advisors;
- Transformations, which is designed to help ensure that those making pension scheme changes and insurance modifications can rely on the actuarial information to help them understand the potential effects on beneficiaries; and
- Funeral Plans, which will ensure that funeral plan trustees are given high quality information about the assets and liabilities of the trust.

The TASs are the first standards of their kind in the world. They are principles-based and focused on the needs of users.

The future of audit and audit quality

The financial crisis also led to questions about the effectiveness of audit and whether public expectations exceed what it can deliver. We believe audit does play a key role in good governance and that we should consider how this can be enhanced. The auditor sees the company's approach to risk. The auditor challenges management's judgement on the financials. The auditor reports to shareholders on whether the company is providing a true and fair view of the business. In addition to our work on "Effective Company Stewardship", the FRC's response to the European Commission's Green Paper, 'Audit Policy: Lessons from the Crisis', outlined measures to promote high quality audits across the EU and proposed ways of reducing the systemic risk associated with the level of audit market concentration. We also believe that improved engagement between audit committees and investors would play a key role in enhancing audit quality. Our overall objective is to preserve and enhance audit quality which, in turn, helps investors to make sound judgements. We hope, as a key outcome from the consultation, that a more effective system of international cooperation will be introduced between regulators on audit quality issues.

The Audit Inspection Unit (AIU), which reviews about 100 audits each year, focused its inspections on segmental reporting, revenue recognition and fraud, in addition to its on-going attention to going concern, fair value accounting estimates, asset impairments and compliance with ethical standards. It found that firms had responded positively to the challenges arising from the economic downturn, particularly in relation to the audit of going concern and that the quality of firms' policies and procedures was good. However, the number of audits assessed by the AIU requiring significant improvements remained too high. The findings suggest that firms were not always applying their procedures consistently on all aspects of individual audits or applying sufficient professional scepticism in relation to some key audit judgements. The AIU expects firms to place greater emphasis on achieving behavioural change to ensure this is improved and will increase its efforts to see that this occurs.



To assist auditors and others in tackling difficult decisions about whether a firm is a going concern, we have also launched a new inquiry into this matter by Lord Sharman. We expect this to report in the autumn.

The Professional Oversight Board (POB) and the United States Public Company Accounting Oversight Board (PCAOB) agreed working arrangements on the oversight and inspection of audit firms. Both the POB and PCAOB share common objectives of seeking improvements to audit quality, protecting investors and promoting efficient capital markets. The agreement will improve both of our organisations' access to information.

Corporate Governance and Stewardship

In responding to the financial crisis, the FRC examined the questions it raised about corporate governance and thoroughly reviewed the Code. We reconfirmed its core principles and the flexibility provided by the 'comply and explain' approach. Changes to the Code included new requirements that:

- The company's business model should be well explained and the board should be responsible for determining the nature and extent of the significant risks it is willing to take.
- Performance-related pay should be aligned to the long-term interests of the company and its risk policy and systems.
- To increase accountability, all directors of FTSE 350 companies should be put forward for re-election every year.
- To promote proper debate in the boardroom, new principles should be adopted on the leadership of the chairman, the responsibility of the non-executive directors to provide constructive challenge, and the time commitment expected of all directors.
- To encourage boards to be well-balanced and avoid "group think" new principles were adopted on the composition and selection of the board, including the need to appoint members on merit, against objective criteria, and with due regard for the benefits of diversity, including gender diversity.

- To help enhance the board's performance and awareness of its strengths and weaknesses, the chairman should hold regular development reviews with each director, and FTSE 350 companies should have externally facilitated board effectiveness reviews at least every three years.

The changes we have made are designed to reinforce board quality, focus on risk and accountability to shareholders. They are subject to the comply or explain principle. To be fully effective they therefore need shareholders to pay attention to the explanations being given and to engage with the company on matters of concern. The financial crisis raised questions about the depth of such activity. To address this concern we therefore introduced the new Stewardship Code for UK institutional investors. We believe there is an opportunity to build a critical mass of UK and overseas investors committed to high quality dialogue with companies to help improve the governance and performance of companies. Without this critical mass of engaged investors, boards are not held to account. The FRC's Stewardship Code is designed to be a catalyst for better engagement and includes principles on the monitoring of investee companies; the escalation of activities taken to protect or enhance shareholder value; collective engagement; voting policy; managing conflicts of interest; and public reporting and reporting to clients. The Code has attracted a high level of investor support. As well as leading UK institutions, international investors are also showing interest and signing up. The task going forward is to ensure effective implementation.

European and International Matters

As noted above, the FRC must play a full part in European and international policy-making. In 2010 the FRC and the Department for Business, Innovation and Skills therefore jointly established a European Issues Steering Group comprising UK stakeholders in corporate law, governance, reporting and audit matters. The Group helps participants to coordinate policy and activities to make UK influencing of Europe more effective and efficient.

As part of the FRC's increasing engagement with key European policy makers, the FRC met in Brussels in October 2010 and held a number of meetings with key

officials from the Commission, Parliament and other institutions. Following this event, the FRC has continued its close involvement in policy development in Europe with regular meetings at senior levels with the Commission and Parliament and through a programme of meetings with key officials in European capitals including Paris, Berlin, Budapest and Madrid. We have also established close working relations with relevant parts of ESMA, the new European Securities and Markets Authority. The FRC participates in ESMA's committee of accounting enforcers, European Enforcers Coordination Sessions (EECS), and we have held meetings with the new senior management of ESMA who have worked extensively with the FRC in their previous roles, in particular through the International Forum of Independent Audit Regulators (IFIAR).

We continued to work with the European Financial Reporting Advisory Group (EFRAG) and other major national standard-setters to help develop the case for global financial reporting standards and we contributed significantly to the work by the International Accounting Standards Board (IASB) on standards themselves.

The effects of accounting standards have become more prominent in recent times, with policy makers around the world increasingly challenging the evidence supporting the implementation of new accounting standards and the assessment of the effectiveness of those that have been implemented. The Accounting Standards Board (ASB) and EFRAG took forward a project, as part of the European pro-active agenda, to assist accounting standard setters, in particular the IASB, in developing a more formalised approach to considering the effects of accounting standards, covering micro-economic effects, such as costs, benefits and behavioural impacts, as well broader macro-economic effects, such as financial stability impacts, more allocation of resources and redistributive effects within society.

The FRC has continued its leading role in international audit regulation through IFIAR. Paul George, FRC Director of Audit, became the Chair of IFIAR in April 2011. IFIAR now has members from 39 countries and is key in addressing the challenges of regulating the international networks that audit multi-national, global companies.

We also continue to take an active role in influencing the work of the International Auditing and Assurance Standards Board (IAASB) and work towards the adoption of its standards in the EU.

Oversight of the professions

One of our major responsibilities is to oversee the quality of the work of the professional bodies in our area. We believe it is vital that corporate reporting, audit and actuarial work are undertaken by professionals committed to high standards and we look to their professional bodies to help develop and promote such standards. As the public interest regulator, we are independent of the profession, but value and wish to help build its role in this regard:

- In overseeing the recognised professional bodies for audit, the Professional Oversight Board focused in 2010/11 on their processes for approving individuals to sign audit reports, and granting exemptions from examinations to students.

- In relation to the Actuarial Profession, the Professional Oversight Board also followed up its earlier recommendations through continuing input to the profession's work to establish a new framework to monitor actuarial quality and competence.

Our finances

We seek to discharge our wide ranging and significant responsibilities with the greatest attention to both effectiveness and efficiency. As our Financial Review indicates, on page 14, our total budget for the year was £21.6m, and we kept expenditure within this at £19.8 million. Our core operating costs budget for accounting, auditing and corporate governance was £12.9m and we kept expenditure to £12.5 million.

Our system of internal control is designed to keep the risk to the FRC's policies, aims and objectives under close review. The system of internal control has been in place at the FRC for the year ending 31 March 2011 and up to the date of approval of the annual report and accounts.

People

Our reputation and effectiveness as a regulatory authority crucially depend on the people that serve on the Boards of our Operating Bodies and their Committees, as well as in the FRC Executive.

We recently undertook a comprehensive survey of staff opinions. As well as providing a forum for staff to express their views on how the FRC is run, it enables the senior management team to respond to the needs of staff, fostering a strong working environment. We aim to ensure that our staff have the high levels of expertise they need and the confidence to reach out to secure the views of market participants. We will be investing more in training and development to support these objectives.

Stephen Haddrill
Chief Executive Officer

24 June 2011

Financial Review

This section of the report summarises our expenditure and funding for 2010/11

The FRC's budget distinguishes between those costs relating to accounting, audit and corporate governance and those relating to actuarial standards and regulation. Within these two categories we distinguish between the costs of our core activities, which are under our immediate control, and costs which are dependent on external factors, notably the number and complexity of the public interest cases which fall within the scope of our disciplinary arrangements.

Operating Expenditure

	Actual 2010/11 £m	Budget 2010/11 £m	Actual 2009/10 £m
Accounting, auditing and corporate governance			
Core operating costs	12.5	12.9	12.3
Audit inspection costs	2.4	2.6	2.3
Accountancy disciplinary case costs	2.4	2.9	1.7
Total	**17.3**	**18.4**	**16.3**
Actuarial standards and regulation			
Core operating costs	2.1	2.4	2.0
Actuarial disciplinary case costs	0.4	0.8	0.2
Total	**2.5**	**3.2**	**2.2**
Total (see below)	**19.8**	**21.6**	**18.5**

Our audited financial statements are on pages 29 to 46. The summary of operating expenditure can be reconciled to the audited financial statements as follows:

	2010/11 £m	2009/10 £m
Operating expenditure (see above)	19.8	18.5
Deduct: Purchase of property, plant, equipment and software		
included in core operating costs	(0.4)	(0.1)
Add: Depreciation not included in core operating costs	0.3	0.3
Net operating expenditure per audited financial statements (see page 29)	**19.7**	**18.7**
Other income plus interest income	1.1	1.1
Total expenditure (see page 29)	**20.8**	**19.8**

Accounting, auditing and corporate governance

Core operating costs, analysed by category of expenditure were as follows:

	Actual 2010/11 £m	Budget 2010/11 £m	Actual 2009/10 £m
Staff costs	10.1	10.1	9.6
Accommodation costs	1.0	1.0	0.9
Professional fees	0.3	0.3	0.7
IT costs	0.6	0.7	0.6
Other costs	0.7	0.8	0.9
Contingency	-	0.2	-
	12.7	**13.1**	**12.7**
Sundry income	(0.6)	(0.5)	(0.5)
Purchase of property, plant, equipment and software	0.4	0.3	0.1
Total	**12.5**	**12.9**	**12.3**
Staff numbers	74	70	63

Core operating costs, analysed by operating unit, were as follows:

	Actual 2010/11		Budget 2010/11		Actual 2009/10	
	£m	Staff	£m	Staff	£m	Staff
ASB	2.6	14	2.8	13	2.8	13
APB	0.9	6	1.0	5	1.0	5
FRRP	2.1	14	2.3	12	2.1	12
POB	1.1	7	1.3	8	1.4	7
AADB	1.4	8	1.5	9	1.3	6
CMPG	4.4	25	4.0	23	3.7	20
Total	**12.5**	**74**	**12.9**	**70**	**12.3**	**63**

These amounts represent the core operating costs of each operating unit plus an allocation of the central overheads based on the number of full time equivalent staff members in each operating unit. Due to departmental changes, the Corporate, Planning & Resources (P&R) and Corporate Governance Units (CGU) merged into the one unit, Corporate Management and Policy Group (CMPG).

Audit Inspection Unit

The costs of the AIU represent the costs of the programme of independent audit inspections. The costs in 2010/11 were £2.4m compared to a budget of £2.6m and £2.3m in 2009/10. The average number of AIU staff was 19. For 2010/11, total costs are reduced by £0.4m (£0.4m in 2009/10) of fee income received from the Audit Commission and National Audit Office in respect of inspection work undertaken by the AIU.

Investigation and disciplinary case costs

During the year, the AADB incurred costs of £2.4m in relation to investigating and prosecuting individual cases.

Funding - Accounting, auditing and corporate governance

Funding analysed by category of funding group was:

Funding groups	Actual 2010/11 £m		Budget 2010/11 £m		Actual 2009/10 £m	
	£m	%	£m	%	£m	%
Preparers of financial statements						
Publicly traded companies	5.0	27	4.7	25	4.6	25
Large private entities	2.1	11	1.8	10	1.7	10
Public sector organisations	0.5	3	0.5	3	0.4	3
Total	**7.6**	**41**	**7.0**	**38**	**6.7**	**38**
Accountancy profession						
Professional bodies						
- Core operating costs	4.7	26	4.7	25	4.5	25
- Inspection costs	2.4	13	2.6	14	2.5	14
- Disciplinary case costs	2.4	13	2.9	16	1.7	10
Total	**9.5**	**52**	**10.2**	**55**	**8.7**	**49**
Government	**1.2**	**7**	**1.2**	**7**	**2.3**	**13**
Total	18.3	100	18.4	100	17.7	100

Actuarial standards and regulation

Expenditure

Our costs were as set out below:

	Actual 2010/11 £m	Budget 2010/11 £m	Actual 2009/10 £m
Core operating costs	2.1	2.4	2.0
Actuarial disciplinary case costs	0.4	0.8	0.2
Movement in general reserves	0.5	(0.3)	0.5
Total	**3.0**	**2.9**	**2.7**

Core operating costs

Core operating costs comprise the cost of the BAS, the cost of the work undertaken by the POB and the AADB in relation to actuarial matters, and a fair apportionment of the cost of our support services and corporate costs (£0.7m in 2010/11). The average number of staff working on actuarial standards and regulation in 2010/11 was 9 (8 in 2009/10).

Actuarial disciplinary case costs

During the year the AADB incurred costs of £0.4 in relation to investigating and prosecuting individual cases. These costs are not susceptible to firm budgetary limits because the number and complexity of cases is unpredictable.

Funding

Our work on actuarial standards and regulation is funded by the actuarial profession (10%), insurance companies (45%) and pension funds (45%).

Funding groups	**Actual 2010/11 £m**	**Budget 2010/11 £m**	**Actual 2009/10 £m**
Actuarial profession	0.3	0.3	0.3
Pension levy	1.3	1.3	1.2
Insurance levy	1.4	1.3	1.2
	3.0	**2.9**	**2.7**

Reserves

The Directors believe it is prudent to maintain reserves to meet unforeseen circumstances in recognition of the fact that the FRC has entered into a number of long-term commitments. The target level of reserves is kept under review by the Directors.

At 31 March 2011:

- Our General Fund showed a balance of £3.4m of which £0.1m relates to actuarial standards and regulation (Note 20 to the Financial Statements, page 44).
- Our case costs funds showed a total of £3.4m of which £2.0m related to the FRRP Legal costs fund and £1.4m to the Actuarial case cost fund. (Note 20 to the Financial Statements, page 44).

Statement of principal risks and uncertainties

The Board has identified the following principal risks and uncertainties. This analysis is based on the FRC's arrangements for identifying and responding appropriately to the major risks to its aim of promoting high quality corporate governance and reporting to foster investment.

The Board emphasises that achieving the FRC's aim crucially depends on the behaviour of boards, investors, professional advisers and other market participants. FRC regulation is designed to promote high standards of behaviour, but is not designed to substitute for the professional judgement of market participants or provide a zero-failure regime.

ISSUE	RISK	MITIGATING ACTION
FRC responsibilities The FRC's responsibilities encompass a wide range of corporate behaviour – including the role of boards, audit committees,preparers, auditors and actuaries.	The FRC fails to carry out its regulatory responsibilities to the necessary high standards.	The FRC targets its monitoring and enforcement activities on the basis of its assessment of current risks, consults regularly and extensively on its priorities and is alert to developments in the markets.
FRC effectiveness In partnership with Government, the FRC is seeking to reform its scope, powers and structure.	The FRC's effectiveness is reduced because key players in the markets do not support the proposed reforms.	The FRC reform programme is designed to enhance the effectiveness of the organisation. Reform proposals will be subject to public consultation and reviewed with market participants and other regulators.
Quality and value of audit The financial crisis exposed a gap between what is expected of audit and what the current audit process can deliver.	The FRC fails to take action to address the perceived shortcomings in the quality and value of audit.	The FRC has promoted a wide-ranging debate on the quality and usefulness of audit and seeks to actively promote the quality of audit through targeted projects e.g. Audit Quality Framework and the Auditor Scepticism project.
The audit market The UK audit market is highly concentrated.	The impact of a major audit firm withdrawing from the market adversely affects market participants.	The FRC is working with the OFT to better understand the effects of and design possible responses to greater concentration in the audit market. Its work, including inspection, aimed at enhancing audit quality reduces the risk of a failure.
EU and international developments UK regulatory requirements for corporate governance and reporting are increasingly set at EU and international level	The FRC fails to influence EU and international initiatives leading to an adverse impact on the regulatory framework for governance and reporting in the UK and inappropriate regulatory burdens	The FRC maintains strong relationships with other regulatory authorities – particularly the new ESMA; and influences the work of international standard-setters through thought leadership and technical expertise.
Financial resources The FRC may be faced with a claim for damages in respect of its activities and/or a claim for costs under the disciplinary schemes.	The FRC faces substantial costs arising from its regulatory activities and is unable to secure the necessary funds to meet those costs.	The FRC monitors the risks associated with its activities and the scope of the applicable statutory exemption and has increased the level of its reserves.
Funding arrangements The FRC collects its funds on a voluntary basis.	The FRC is unable to secure the required funding from stakeholders to discharge its regulatory responsibilities and maintain an appropriate level of reserves.	The FRC consults annually on its budget and levy and believes that stakeholders will continue to support it as long as it maintains an effective regulatory environment based on the principles of good regulation.

Governance

Section 2 Governance

Directors' Report

The Directors have pleasure in presenting their report and financial statements for the year ended 31 March 2011.

Incorporated in England & Wales, the Financial Reporting Council Limited is a not-for-profit organisation, with its primary operations based at

Aldwych House,
71-91 Aldwych,
London
WC2B 4HN

Principal Activity

The aim of the FRC is to promote high quality corporate governance and reporting to foster investment. The functions we carry out in pursuit of this aim are exercised principally by our Operating Bodies (the Accounting Standards Board, the Auditing Practices Board, the Board for Actuarial Standards, the Professional Oversight Board, the Financial Reporting Review Panel and the Accountancy and Actuarial Discipline Board) and by the Board. The Operating Bodies and the Board are supported by the FRC's professional staff (the "Executive").

DIRECTORS OF THE FRC

Baroness Hogg	**CNR**	Chair	- from 1 May 2010
		Deputy Chair	- to 30 April 2010
Sir Christopher Hogg	**CN**	Chair	- to 30 April 2010
Glen Moreno	**CN**	Deputy Chair	- from 18 November 2010
Stephen Haddrill	**C**	Chief Executive	
Eric Anstee	**NA**	Non executive Director	
Peter Chambers	**CNR**	Non executive Director	
Richard Fleck		Chair, APB	
Bill Knight		Chair, FRRP	
Ian Mackintosh		Chair, ASB	- to 31 October 2010
Rudy Markham	**CNA**	Non executive Director	
Roger Marshall		Interim Chair, ASB	- from 1 November 2010
Dame Barbara Mills		Chair, POB	
Sir Michael Rake	**N**	Non executive Director	
Sir Steve Robson CB	**CN**	Non executive Director	
Sir John Sunderland	**CNR**	Non executive Director	
Jim Sutcliffe		Chair, BAS	
Lindsay Tomlinson	**CNA**	Non executive Director	
Timothy Walker		Chair, AADB	

Key to symbols:

C member of the Committee on Corporate Governance;
N member of the Nominations Committee;
R member of the Remuneration Committee;
A member of the Audit Committee.

Under the terms of the FRC's Memorandum and Articles of Association, all Directors are members of the FRC and each has undertaken to guarantee the liability of the FRC up to an amount not exceeding £1. There are no other members and no dividend is payable.

Board Meetings

Attendance at Board meetings during the year is shown below, with the attendance shown as a proportion of the numbers of meetings individual Directors were eligible to attend:

Baroness Hogg	6/6
Sir Christopher Hogg	2/2
Glen Moreno	2/2
Stephen Haddrill	6/6
Eric Anstee	6/6
Peter Chambers	6/6
Richard Fleck CBE	5/6
Bill Knight	6/6
Ian Mackintosh	3/4
Rudy Markham	4/6
Roger Marshall	0/2*
Dame Barbara Mills	6/6
Sir Michael Rake	5/6
Sir Steve Robson CB	6/6
Sir John Sunderland	6/6
Jim Sutcliffe	5/6
Lindsay Tomlinson	5/6
Timothy Walker	6/6

(*Unable to attend as a result of engagements made prior to his appointment)

During the year the Board considered its compliance with the UK Corporate Governance Code and in particular, the provisions relating to the annual re-election of directors and determined that, taking into account Board and Operating Body evaluations, it would consider the continued appointments of each of the directors.

The Secretary of State has also been invited to make the terms of appointment of the Chair and Deputy Chair subject to annual affirmation. The Board conducted an evaluation of its effectiveness which followed one by the Institute of Chartered Secretaries and Administrators in 2009/10. The conclusion of the evaluation was that the Board's time (which had been increased following the independent evaluation) was being more effectively engaged on key issues through improved agenda management. However, the Board's role in exercising oversight of the FRC's Operating Bodies can be clarified and improved and this will be addressed in the review of the FRC's structure which is underway.

Directors' Emoluments

The remuneration of Directors, including the Chair and Deputy Chair, is determined and reviewed by the Board. The total remuneration and benefits received, excluding pension contributions, is shown in the following table, which has been subject to audit.

	2010/11	2009/10
Baroness Hogg	112,500	30,000
Sir Christopher Hogg (to 30 Apr 2010)	12,500	150,000
Glen Moreno (from 18 Nov 2010)	11,154	0
Stephen Haddrill	399,966[1]	142,083[1]
Paul Boyle (to 15 Nov 2009)	40,538[1,2]	371,868[1,2]
Eric Anstee	20,000	20,000
Peter Chambers	20,000	20,000
Richard Fleck	70,000	70,000
Bill Knight	70,000	70,000
Ian Mackintosh (to 31 October 2010)	320,833[3]	321,750
Rudy Markham	20,000	20,000
Roger Marshall (from 1 Nov 2010)	36,458	0
Dame Barbara Mills	70,000	70,000
Sir Michael Rake	20,000	20,000
Sir Steve Robson CB	20,000	20,000
Paul Seymour	0	25,000
Sir John Sunderland	20,000	20,000
Jim Sutcliffe	60,000	47,692
Lindsay Tomlinson	0[4]	20,000
Timothy Walker	60,000	60,000
Total	**1,383,949**	**1,498,393**

If the Directors were appointed during the year the amounts payable are for the period from the date of their appointment. The amounts paid to Richard Fleck, Bill Knight, Ian Mackintosh, Roger Marshall, Dame Barbara Mills, Jim Sutcliffe and Timothy Walker include the remuneration payable in respect of their roles as Chairs of Operating Bodies.

1 The only Director who is entitled to receive pension benefits is the Chief Executive, in respect of whom contributions were paid to a personal pension arrangement (see note 4).

2 Amount paid includes remuneration following resignation from the Board and during contractual notice period which ended on 15 May 2010.

3 Amount paid includes remuneration following resignation from the Board and during contractual notice period which ended on 28 February 2011.

4 From 1st April 2010 Lindsay Tomlinson waived 100% of his remuneration.

Committees of the Board

Committee on Corporate Governance

The Committee on Corporate Governance assists the Board in fulfilling its responsibility for promoting confidence in corporate governance by monitoring the operation of the UK Corporate Governance Code by listed companies and shareholders, and by keeping under review developments in corporate governance generally.

The Committee on Corporate Governance met four times during the year.

Attendance was as shown below:

Sir John Sunderland (Chair)	4/4
Peter Chambers	4/4
Stephen Haddrill	4/4
Baroness Hogg	4/4
Rudy Markham	3/4
Glen Moreno	1/1
Sir Steve Robson CB	4/4
Lindsay Tomlinson	4/4

During the year the Committee oversaw the introduction and implementation of the revised UK Corporate Governance Code and the new UK Stewardship Code for institutional investors, as well as revised guidance on audit committees and board effectiveness.

The Committee also considered the FRC's responses to the Government's discussion paper, 'A Long-Term Focus for Corporate Britain', and the European Commission's consultation on the corporate governance of financial institutions.

Nominations Committee

The Nominations Committee is responsible for leading the selection process and making recommendations to the Board for Directors of the FRC (except for the Chair and the Deputy Chair who are appointed by the Secretary of State). The Committee is also responsible for overseeing the selection process for members of the Operating Bodies and of the FRC's senior management and for appointing and reappointing members of the Operating Bodies.

The Nominations Committee met three times during the year.

Attendance was as shown below:

Baroness Hogg (Chair)	3/3
Glen Moreno	1/1
Eric Anstee	2/3
Peter Chambers	2/2
Rudy Markham	1/2
Sir Michael Rake	2/2
Sir Steve Robson CB	2/3
Sir John Sunderland	2/3
Lindsay Tomlinson	1/2

During the year the Committee reviewed its membership and made recommendations to the Board following which the Board determined that all non-executive Directors should be appointed to the Committee. The Committee led the selection process for the appointment from 1 April 2011 of two non-executive Directors and made recommendations to the Board. The Committee considered succession arrangements in relation to the Chair of the ASB and made recommendations to the Board on the appointment of the Interim Chair. It made recommendations to the Board in relation to the reappointments of the Chairs of the APB and the FRRP and monitored and participated in the selection process for the recruitment of various members to several of the FRC's Operating Bodies and approved their appointments, including a Deputy Chair of the FRRP. The Committee approved 25 appointments and reappointments to the Operating Bodies and the appointments of a Temporary Convener, a Convener and Alternate Executive Counsel under the AADB Accountancy and/or Actuarial Schemes.

Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing the remuneration policy for the FRC. It sets the remuneration of the Chief Executive and the Chairs and members of the Operating Bodies, and reviews and/or approves the remuneration recommendations of the Chief Executive for the senior management team.

The Remuneration Committee met four times during the year.

Attendance was as shown below:

Sir John Sunderland (Chair)	4/4
Peter Chambers	4/4
Baroness Hogg	4/4

During the year the Committee approved the budgetary limits for the salary review and bonus pool in relation to all FRC Staff, approved and reviewed the remuneration of the Chief Executive and approved the salary and bonus recommendations in relation to the Senior Management Team. The Committee reviewed the bonus scheme in relation to all staff and the remuneration of the members of the Operating Bodies. It considered the remuneration of the FRC Deputy Chair and the Interim Chair of the ASB and made recommendations to the Board.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibility for monitoring the quality and integrity of the accounting, auditing and reporting practices of the FRC. The Committee's purpose is to scrutinise the accounting and financial reporting processes of the FRC and the audits of the FRC's financial statements.

The Committee met three times during the year.

Attendance was as shown below:

Rudy Markham (Chair)	1/3
Eric Anstee	3/3
Lindsay Tomlinson	3/3

During the year the Committee completed a review of the FRC's internal controls which included consideration of the tax, payroll, funding and IT arrangements. The Committee also reviewed the independence of the auditor and continued to monitor the potential costs to the FRC arising out of AADB cases and the agreed safeguards.

Financial performance

Total operating expenditure was £20,797,000 (2009/10 £19,780,000). We did not incur any investigation costs to be charged to the Legal Costs Fund during the year (2009/10 £nil). The Legal Costs Funds may be used only to meet legal, professional and other costs of the FRRP's investigations.

The FRC obtained funding for the year from the following organisations:

- Department for Business Innovation and Skills
- Consultative Committee of Accountancy Bodies
- Publicly traded companies
- Large private entities
- Public sector organisations
- Actuarial Profession
- Insurance companies
- Pension schemes

Revenue received towards operating costs and the purchase of property, plant, equipment and software for accounting, auditing and corporate governance amounted to £13,663,000 (2009/10 £13,589,000). In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) £382,000 (2009/10 £123,000) of the income relating to property, plant, equipment and software, was deferred. £282,000 of the deferred income has been released in the year (2009/10 £304,000).

Audit inspection costs and accounting, auditing and discipline case costs were funded entirely by the relevant CCAB bodies.

Revenue received towards operating costs and the purchase of property, plant and equipment for actuarial standards and regulation amounted to £2,134,000 (2009/10 £2,066,000).

£821,000 (2009/10 £680,000) was received during the year towards actuarial case costs. Actuarial case costs expenditure of £396,000 (2009/10 £165,000) was incurred during the year, leaving £425,000 (2009/10 £515,000) earmarked for the actuarial case cost fund.

There was a surplus for the year on general activities of £1,151,000 (2009/10 £1,218,000). The accumulated general surplus as at 31 March 2011 was £3,393,000 (2009/10 £2,242,000).

The FRC's policy and practice are to make payments to creditors on a fortnightly basis. No contributions were made for political or charitable purposes. The FRC is not listed; there are no directors' shareholdings and no acquisition by the FRC of its own shares.

Going concern

The FRC's activities, together with the business and financial review are set out above. The financial position of the FRC, its cash flows and liquidity position are shown later in the financial statements. In addition, note 11 to the financial statements includes the FRC's financial risk management approach.

The FRC has adequate financial resources and reserves. As a consequence, the directors believe that it is well placed to manage its liquidity risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the FRC has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Staff

Feedback from staff on FRC affairs and performance is encouraged through regular team and staff meetings held by their senior manager and the Chief Executive respectively. Staff participate in HR policy development.

The FRC recruits staff on the basis of fair and open competition and selection on merit. Applications are invited from suitably qualified people without regard to gender, disability, ethnicity, sexual-orientation, nationality, age or religion. The FRC strives towards best practice in its HR policies and tries to ensure a reasonable work-life balance.

The FRC appreciates its responsibilities to protect the health and safety of its employees and to enhance their potential through targeted training, professional and personal development. The FRC regards it as a fundamental right for everyone to be able to work in an environment which is free of harassment and discrimination.

Impact on the environment

We aim to maintain procurement policies which favour sustainable products and services in order to reduce our environmental impact.

Disclosure to auditors

The Directors, at the date of this report, confirm that, as far as each Director is aware, there is no relevant audit information of which the FRC's auditors are unaware. Each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the FRC's auditors are aware of that information.

BY ORDER OF THE BOARD
Anne McArthur
Company Secretary

24 June 2011

Section 3 Financial statements and notes

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of The Financial Reporting Council Limited

We have audited the financial statements of The Financial Reporting Council for the year ended 31 March 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes numbered 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Nigel Bostock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

24 June 2011

Statement of Comprehensive Income for year ended 31 March 2011

	Notes	2010/11 Accounting auditing & corporate governance £'000	2010/11 Actuarial standards and regulation £'000	2010/11 Total £'000	2009/10 Accounting auditing and corporate governance £'000	2009/10 Actuarial standards and regulation £'000	2009/10 Total £'000
Operational expenditure	3	**18,265**	**2,532**	**20,797**	17,548	2,232	19,780
Other operating income	7	**(1,050)**	**-**	**(1,050)**	(1,038)	-	(1,038)
Interest income	8	**(38)**	**(2)**	**(40)**	(31)	(1)	(32)
NET OPERATING EXPENDITURE		**17,177**	**2,530**	**19,707**	16,479	2,231	18,710
REVENUE	9	**18,336**	**2,955**	**21,291**	17,704	2,746	20,450
Surplus before taxation		**1,159**	**425**	**1,584**	1,225	515	1,740
Taxation	10	**(8)**	**(-)**	**(8)**	(7)	(-)	(7)
SURPLUS FOR THE YEAR NET OF TAX		**1,151**	**425**	**1,576**	1,218	515	1,733

The notes on pages 32-46 form part of these financial statements.

All operations are continuing.

Financial Statements & Notes

THE FINANCIAL REPORTING COUNCIL LIMITED REGISTERED NUMBER: 2486368

Statement of Financial Position at 31 March 2011

	Notes	2011 £'000	2010 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	**242**	-
Property, plant and equipment	13	**733**	893
Trade and other receivables	14	**1**	3
		976	896
CURRENT ASSETS			
Trade and other receivables	14	**1,988**	1,518
Investments	15	**1,550**	-
Cash and cash equivalents	16	**6,842**	6,590
		10,380	8,108
TOTAL ASSETS		**11,356**	9,004
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	**(3,423)**	(2,591)
Current tax liabilities	10	**(8)**	(7)
		(3,431)	(2,598)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,925**	6,406
NON-CURRENT LIABILITIES			
Trade and other payables	18	**(822)**	(903)
Long term provisions	19	**(270)**	(246)
		(1,092)	(1,149)
NET ASSETS		**6,833**	5,257
EQUITY			
RETAINED EARNINGS			
Accounting, auditing & corporate governance	20	**5,307**	4,156
Actuarial standards & regulation	20	**1,526**	1,101
		6,833	5,257

Approved by the Board and authorised for issue on 24 June 2011 and signed on its behalf by:

Baroness Hogg
Chairman

Stephen Haddrill
Chief Executive Officer

The notes on pages 32-46 form part of these Financial Statements.

Statement of Changes in Equity for the year ended 31 March 2011

	Accounting, auditing and corporate governance		Actuarial standards and regulation		
	General £'000	FRRP Legal Costs Fund £'000	General £'000	Actuarial Case Costs Fund £'000	Total £'000
At 31 March 2009	938	2,000	86	500	3,524
Surplus for 2009/10	1,218	-	-	515	1,733
At 31 March 2010	2,156	2,000	86	1,015	5,257
Surplus for 2010/11	1,151	-	-	425	1,576
At 31 March 2011	**3,307**	**2,000**	**86**	**1,440**	**6,833**

Cash Flow Statement for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	**1,805**	1,111
Corporation tax paid		**(7)**	(68)
		1,798	1,043
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant, equipment & software		**(412)**	(280)
Contributions from funding groups			
towards property, plant, equipment and software		**376**	123
Investment in money market deposits		**(1,550)**	-
Interest received		**40**	32
		(1,546)	(125)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**252**	918
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**6,590**	5,672
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	16	**6,842**	6,590

Cash and cash equivalents comprise cash at bank and other short-term highly liquid bank deposits with an original maturity of three months or less. Other short term deposits with an original maturity of over three months but less than six months are shown under Investment in money market.

The notes on pages 32-46 form part of these financial statements.

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the FRC's financial statements.

a) Basis of Preparation

The FRC has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

These financial statements are prepared on an historical cost basis.

As at the date of approval of these financial statements, some standards and interpretations were in issue but not yet effective. Also, some standards and interpretations were in issue but not yet approved by the European Union.

The Directors expect that the adoption of these standards and interpretations in future accounting periods will not have a material impact on the FRC's results.

b) Presentation of Financial Statements

In order to reflect more fairly that the FRC's expenditure is met by contributing organisations, the Directors have presented the Statement of Comprehensive Income to focus initially on the FRC's net operating expenditure and thereafter on the various contributions received from its funding groups. Further categories have been included to provide a fairer representation of the FRC's income and expenditure.

The presentational and functional currency of the FRC is the British Pound Sterling.

c) Consolidation

The FRC has one subsidiary, The Accountancy and Actuarial Discipline Board Limited (AADB). The AADB has no surplus or deficit for the year and has no retained earnings or net assets. Consolidated financial statements have not been prepared because they would not be materially different to the financial statements of the Financial Reporting Council Limited.

d) Revenue Recognition

The FRC has a variety of sources of revenue, some of which become receivable in respect of financial years and some of which become receivable as a result of expenditure incurred by the FRC.

Sources of revenue receivable in respect of financial years are:

- In respect of accounting, auditing and corporate governance, revenue in respect of core operating costs is determined by reference to the annual funding requirement.
- In respect of actuarial standards and regulation, revenue in respect of core operating costs and contributions to the actuarial case costs fund is determined by reference to the annual funding requirement.

Sources of revenue as a result of expenditure incurred by the FRC are:

- Revenue which contributes towards the purchase of property, plant and equipment is accounted for as deferred income and is credited to the Statement of Comprehensive Income over the expected useful life of the relevant fixed assets on a basis consistent with the depreciation policy applied in respect of the related assets.
- Revenue in respect of AIU inspection costs is set at a level which matches the costs incurred in each financial year.
- Revenue in respect of AADB accountancy disciplinary case costs is set at a level which matches the costs incurred in each financial year.
- Revenue in respect of FRRP legal costs is set at a level which meets the costs incurred in the preceding financial year.
- Revenue in respect of levies is accounted for on a receipts basis as they are voluntary contributions

- Revenue in respect of publications is accounted for an accruals basis

e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Office equipment includes cost of software that is an integral part of the asset function. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, over their expected useful lives, as follows:

Office equipment	3 Years	straight line basis
Fixtures, fittings & furniture	10 years	straight line basis
Leasehold improvements	shorter of lease term and useful life	straight line basis

If events or changes in circumstances indicate the carrying value may not be recoverable then the carrying values of tangible fixed assets are reviewed for impairment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

f) Intangible assets

Costs associated with acquiring, developing, tailoring and implementation of identifiable and unique software products that will generate economic benefits beyond one year are recognised as intangible assets. Costs include any employee costs incurred in bringing the asset into use.

Capitalised software costs are amortised on a straight line basis over their estimated useful life considered to be three years from the time the software is brought into use. The amortisation charge is recognised in the Statement of Comprehensive income within operational expenditure.

g) Impairment

At each Statement of Financial Position date, the FRC reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. No impairment charge has been recognised during the year.

h) Leases

Leases of property, plant and equipment where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Any interest elements under a finance lease are charged to the Statement of Comprehensive Income over the lease term to produce a constant rate of charge on the balance of capital repayments outstanding.

All other leases are treated as operating leases. Total rentals payable under operating leases are charged to the Statement of Comprehensive Income over the term of the lease on a straight line basis. The benefits from lease incentives including rent free periods are spread over the lease term on a straight line basis.

i) Taxation

The FRC is only subject to Corporation Tax on its interest receivable and analogous income. There are no temporary differences between the recognition of that income in the financial statements and the tax computation, and no temporary differences arise. Accordingly, there is no provision for deferred tax.

j) Collection of the UK share of the IASB funding requirement

The FRC raises the UK contribution to the cost of the International Accounting Standards Board (IASB) by issuing invoices and collecting monies on its behalf. The FRC pays over to the IASB the amount it requires up to the amount collected. Accordingly, these amounts are not accounted for within revenues and costs of the FRC. (See note 21).

k) Financial Instruments

Financial assets and financial liabilities are recognised on the FRC's Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid bank deposits with an original maturity of three months or less.

Money market cash deposits

Money market cash deposits comprise bank deposits with an original maturity of more than three months but less than one year and these are disclosed within current investments.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

l) Employee Benefits

Pension Costs

The FRC makes contributions to personal pension schemes. The amount charged to the Statement of Comprehensive Income in respect of these schemes is the total contributions payable in the year. Differences between the contributions payable and those paid are shown as accruals or prepayments in the Statement of Financial Position.

Holiday Pay

The FRC accrues for holiday pay to recognise the employee benefits to be paid in exchange for the holiday allowance which is permitted, but not taken, by the employees as at the year end.

m) Provisions and contingencies

Provisions are recognised when the following three conditions are met:

(i) The FRC has a present obligation (legal or constructive) as a result of a past event;

(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

The amount of the provision represents the best estimate of the expenditure required to settle the obligation at the end of the reporting period. Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably are not recognised, but are disclosed unless the possibility of settlement is considered remote.

Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Dilapidations

Provision is made for the estimated costs of dilapidation repairs. Estimated costs of removing leasehold improvements are provided and capitalised, such expenditure being amortised over the term of the lease.

Case costs

The legal and professional costs of AADB and FRRP cases cannot be estimated with reasonable certainty until the investigation is substantially complete. Accrual is made to the extent that costs have been incurred at the Statement of Financial Position date. Legal and professional costs of FRRP cases are charged to the Legal Costs Fund.

2. Significant judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates and associated assumptions are based on historical experience and the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates have been made in the following areas:

Provision for dilapidations

Provision for dilapidations is calculated by estimating costs of removing leasehold improvements and related repairs which may arise at the end of the lease. This estimation is carried out by an independent chartered surveyor. See note 19 for further details.

Litigation cost provision

Management has considered the likelihood of potential litigation costs and believes that a provision is not required.

3. Operational Expenditure

	2010/11			2009/10		
	Accounting auditing & corporate governance £'000	Actuarial standards and regulation £'000	Total £'000	Accounting auditing and corporate governance £'000	Actuarial standards and regulation £'000	Total £'000
Staff & related people costs (note 4)	**12,548**	**1,350**	**13,898**	12,368	1,284	13,652
Other operating charges (note 5)	**3,317**	**786**	**4,103**	3,515	783	4,298
AADB case costs	**2,400**	**396**	**2,796**	1,665	165	1,830
	18,265	**2,532**	**20,797**	17,548	2,232	19,780

Financial Statements & Notes

4. Staff and related people costs (including directors)

	2011 £'000	2010 £'000
Permanent staff:		
Salaries	**9,975**	9,514
Social security costs	**1,221**	1,141
Other pension costs	**800**	652
	11,996	11,307
Other people related costs:		
Seconded staff and contractors	**385**	758
Fees to operating body and committee members	**1,267**	1,325
Other costs	**250**	262
	13,898	13,652

The average number of employees during the year was 102 (2009/10: 90)

The FRC does not operate a pension scheme. Other pension costs comprise payments to personal pension schemes.

Directors' emoluments

	2010/11 £'000	2009/10 £'000
Fees (included in staff costs)	**1,384**	1,498

The only Director who is entitled to receive a pension benefit is the Chief Executive. The contributions paid to a personal pension arrangement by the company were £17,792 (2009/10 £14,208). Details of the emoluments of the directors are contained in the Directors' Report on page 27. An interest-free loan of £3,313 (2009/10 £3,472) was made to one Director (Ian Mackintosh) in regard to his health insurance. He left FRC at the end of February 2011 and the amount was fully repaid during the year resulting in a £nil balance outstanding at the year-end (2009/10 £nil).

5. Other operating charges

	2010/11 £'000	2009/10 £'000
Other operating charges include:		
Amortisation (note 12)	-	-
Depreciation (note 13)	300	322
Operating leases		
- land and buildings	442	420
- office equipment	9	9

The auditor's remuneration is as follows:

	2010/11 £'000	2009/10 £'000
Fees payable to the FRC's auditors		
for the audit of the FRC's annual accounts	26	26
Total audit fees	**26**	**26**
Other services		
- Tax services	2	3
- Payroll services	5	10
- Audit Assurance review	7	-
Total non-audit fees	**14**	13

6. FRRP legal costs fund

Contributions have been received to enable the Financial Reporting Review Panel to take steps to ensure compliance with the accounting requirements of the Companies Act 2006, including applicable Standards, and to investigate departures from those standards and requirements. Those funds may be used only for this purpose and may not be used to meet other costs incurred by the FRC. The FRC may be liable to repay the balance on the Legal Costs Fund to the contributors if it ceases to be authorised by the Secretary of State for Business for the purposes of section 456 of the Companies Act 2006.

Since the costs of Review Panel investigations in a financial year cannot be forecast with sufficient certainty, funding contributions to make good expenditure on the Legal Costs Fund are sought in the financial year following the expenditure.

	2011	2010
	£'000	£'000
The fund is represented by:		
Cash at bank and in hand	**2,000**	2,000
Debtor	**-**	-
At 31 March	**2,000**	2,000

7. Other operating income

	2010/11	2009/10
	£'000	£'000
Income from publications	**573**	564
Professional fee income	**477**	474
	1,050	1,038

Income from publications relates to royalties, copyright and electronic rights income from publications produced by the ASB and APB.

Professional fee income relates to AIU Income from the Audit Commission and AIU and POB income from the National Audit Office. It also includes income received from the third country audit licensing. The latter is the result of audit carried out per regulation of the auditors of companies outside the European Union and the European Economic area that have issued securities admitted to trading to EU regulated markets (third country audit entities.)

8. Interest income

Interest on the FRRP Legal Cost Fund and the Actuarial Case Cost Fund is used to offset core operating costs.

	2010/11	2009/10
	£'000	£'000
Bank interest – Accounting, auditing and corporate governance	**38**	31
Bank interest – Actuarial standards and regulation	**2**	1
	40	32

9. Revenue

Revenue analysed by category of cost is as follows:

	2010/11			2009/10		
	Accounting auditing & corporate governance £'000	**Actuarial standards and regulation £'000**	**Total £'000**	Accounting auditing and corporate governance £'000	Actuarial standards and regulation £'000	Total £'000
Core operating costs	13,569	2,134	15,703	13,770	2,066	15,836
AIU inspection costs	2,367	-	2,367	2,269	-	2,269
AADB case costs	2,400	396	2,796	1,665	165	1,830
FRRP case costs	-	-	-	-	-	-
Actuarial case cost fund	-	425	425	-	515	515
	18,336	**2,955**	**21,291**	**17,704**	**2,746**	**20,450**

Revenue relating to core operating costs includes £282,000 (2009/10 £304,000) of deferred income released in accordance with note 1(d).

10. Taxation

	2010/11 £'000	2009/10 £'000
Corporation Tax at an effective rate of 21% (2009/10: 21%) on general interest received	8	7
	8	7

Tax is payable only on interest and analogous income.

The total charge for the year is reconciled to the interest earned as follows:

	2010/11 £'000	2009/10 £'000
Interest earned	**40**	32
Tax @ 21% (2009/10: 21%)	**8**	7
Marginal Relief	**-**	-
Current year tax charge as above (payable in the year following the charge)	**8**	7

11. Financial risk management

The FRC's operations expose it to some financial risks. The management continuously monitors these risks with a view to protecting the FRC against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

Fair value of financial instruments

In the Directors' opinion, the carrying value of the trade receivables, trade payables and cash and cash equivalents approximate to their fair value.

Credit Risk

It is the FRC's management policy to assess its trade receivables for recoverability on an individual basis and to make provisions where considered necessary. In assessing recoverability the management takes into account any indicators of impairment up until the reporting date.

The age analysis of trade receivables not impaired is:

	2011 £'000	2010 £'000
Not past due date	**98**	80
Past due date by no more than three months	**-**	-
Past due date by more than three months but not more than six months	**-**	-
Past due date more than six months but not more than one year	**170**	287
Past due date more than one year	**-**	1
	268	368

The average debtor receivable period is 39 days (2010: 38 days). The trade receivables that are neither impaired nor past due date are made up of four balances (2010: two). No trade receivables balances have been renegotiated during the year or in the prior year. The FRC does not hold any collateral or other credit enhancements as security for its trade receivables.

Interest rate risk

The FRC invests the majority of its surplus funds in highly liquid short term deposits with an original maturity no greater than six months, following a change in treasury policy. To reduce the risk of loss, these bank deposits are spread across a range of major UK Banks. The average interest rate on short term deposits is 0.53% (2010: 0.56%) and none of the deposits have an original maturity of more than six months.

For a change in interest rates of 1%, the gross interest earned would change by approximately £80,000.

Liquidity risk

The FRC maintains sufficient levels of cash and cash equivalents and manages its working capital by carefully reviewing forecasts on a regular basis to determine the requirements for its day-to-day operations.

The age analysis of trade payables is as follows:

	2011	2010
	£'000	£'000
Not past due date	**103**	258
Past due date by no more than three months	**4**	6
Past due date by more than three months but not more than six months	**4**	-
	111	264

The average creditor payment period is 24 days (2010: 25 days).

12. Intangible Assets

2011	Software £'000	Total £'000
Cost at 1 April 2010 and 2009	-	-
Additions 242	242	
Cost at 31 March 2011	242	242
Amortisation at 1 April 2010 and 2009	-	-
Charge for year	-	-
Amortisation at 31 March 2011	-	-
Net book value at 31 March 2011	**242**	**242**
Net book value at 31 March 2010	**-**	**-**

Software costs have not been amortised in the year to 31 March 2011 as the above software has not yet been brought into use.

13. Property, plant and equipment

2011	Leasehold improvements **£'000**	Office equipment **£'000**	Fixtures, fittings & furniture **£'000**	Total **£'000**
Cost at 1 April 2010	692	1,169	584	2,445
Additions	7	111	22	140
Cost at 31 March 2011	699	1,280	606	2,585
Depreciation at 1 April 2010	383	856	313	1,552
Charge for year	73	177	50	300
Depreciation at 31 March 2011	456	1,033	363	1,852
Net book value at 31 March 2011	**243**	**247**	**243**	**733**

2010	Leasehold improvements £'000	Office equipment £'000	Fixtures, fittings & furniture £'000	Total £'000
Cost at 1 April 2009	692	1,067	563	2,322
Additions	-	102	21	123
Cost at 31 March 2010	692	1,169	584	2,445
Depreciation at 1 April 2009	311	655	264	1,230
Charge for year	72	201	49	322
Depreciation at 31 March 2010	383	856	313	1,552
Net book value at 31 March 2010	**309**	**313**	**271**	**893**

14. Trade and other receivables

	2011 £'000	2010 **£'000**
Non-Current:		
Prepayments and accrued income	**1**	3
Current:		
Net Trade receivables	**268**	368
Other receivables	**1,098**	625
Prepayments and accrued income	**622**	525
	1,988	1,518

15. Current Investments

	2011 £'000	2010 £'000
Money market deposits (original maturity over three months)	1,550	-
	1,550	-

Carrying value of the money market deposits is not significantly different from fair value.

16. Cash and cash equivalents

	General Accounts £'000	Actuarial Case Cost Fund £'000	FRRP Legal Costs Fund Accounts £'000	Total £'000
At 31 March 2010	3,575	1,015	2,000	6,590
Net cash inflow for 2010/11	(173)	425	-	252
At 31 March 2011	**3,402**	**1,440**	**2,000**	**6,842**

The amount in the Actuarial Case Cost Fund may only be used for actuarial disciplinary case costs. The amount in the FRRP Legal Costs Fund accounts may be used only for the purposes described in note 6.

17. Trade and other payables: current

	2011 £'000	2010 £'000
Trade payables	**111**	264
Other taxation and social security	**682**	34
Accruals	**1,683**	1,428
Deferred income	**341**	340
Other payables	**606**	525
	3,423	2,591

18. Trade and other payables: non-current

	2011 £'000	2010 £'000
Accruals	**262**	373
Deferred income	**560**	530
	822	903

19. Long term provisions

Leasehold Improvements and dilapidations	**2011 £'000**	2010 £'000
Balance at 31 March 2010	**246**	223
Amount Capitalised	**7**	-
Amount charged to Statement of Comprehensive Income	**17**	23
Balance at 31 March 2011	**270**	246

A provision has been made for obligations under the lease at Aldwych House. These obligations are to remove the leasehold improvements and return the property at the end of the lease in August 2014 to its original state and to meet the tenant repairing clause for dilapidations.

This provision is based on an estimate by an independent surveyor of the cost of the obligations, and the liability in relation to the provision which is likely to arise at the end of the lease agreement. This provision has not been discounted as the effect of discounting is not material.

20. Retained earnings

Changes in capital and reserves were as follows:

	Accounting, auditing & corporate governance		Actuarial standards & regulation		
	General	**FRRP Legal Costs Fund**	**General**	**Actuarial Case Costs Fund**	**Total**
	£'000	£'000	£'000	£'000	£'000
At 31 March 2009	938	2,000	86	500	3,524
Surplus for 2009/10	1,218	-	-	515	1,733
At 31 March 2010	2,156	2,000	86	1,015	5,257
Surplus for 2010/11	1,151	-	-	425	1,576
At 31 March 2011	**3,307**	**2,000**	**86**	**1,440**	**6,833**

Contributions from government in 2010/11 were £1,200,000 (2009/10: £2,300,000).

Differences between the actual and planned contribution receivable from each funding group are taken into account in planning the contribution receivable from each funding group in future years. As at 31 March 2010 the differences were: £310,000 (31 March 2010: £135,000) more than planned from publicly listed companies subject to FRC's levy in respect of accounting, auditing and corporate governance; £51,000 (31 March 2010: £110,000) more than planned from the insurance levy in respect of actuarial standards and regulation; and £38,000 (31 March 2010: £64,000) more than planned from the pension levy in respect of actuarial standards and regulation. The second phase of introducing the levy on large private companies with a turnover of £500m or more was implemented generating £352,000 over collection. The Public Sector Organisations had £21,000 under collection (31 March 2010: £2,000 under collection).

21. Significant transactions with other standard setters

The FRC raises the UK contribution to the cost of the IASB by issuing invoices and collecting monies on its behalf. The FRC does not make a charge for providing this service. The amount of monies collected during the year was £936,000 (2010: £848,000), of which £141,000 (2010: £60,000) remained to be paid over by the FRC to IASB as at 31 March 2011. This amount of £141,000 is included in the balance sheet under other creditors.

During 2010/11, payments were made to the value of £290,000 (2009/10: £331,000) which related to EFRAG.

22. Cash flow statement – cash generated from operations

	2010/11 **£'000**	2009/10 £'000
Surplus on ordinary activities before taxation	**1,584**	1,740
Adjustments for:		
- Interest income	**(40)**	(32)
- Depreciation	**300**	322
- Release of deferred income	**(282)**	(304)
- Provision for dilapidation	**17**	23
- (Increase) / Decrease in trade and other receivables	**(468)**	(455)
- (Decrease) / increase in trade and other payables	**694**	(183)
Net cash inflow from operations	**1,805**	1,111

23. Commitments

There were no capital commitments outstanding at 31 March 2011 (2010: nil).

The commitments for the FRC under operating leases relating to the leasehold property for each of the following periods are as follows:

	2010/11 **£'000**	2009/10 £'000
Not later than one year	**453**	442
Later than one year but not later than five years	**1,070**	1,492
Leases which expire after more than five years	**-**	-
	1,523	1,934

Total commitments for the FRC under operating leases other than those relating to leasehold property are as follows:

	2010/11 **£'000**	2009/10 £'000
Leases which expire within one year	**-**	-
Leases which expire within two to five years	**22**	6
Leases which expire after more than five years	**-**	3
	22	9

24. Subsidiary undertaking

The FRC has only one wholly owned subsidiary, The Accountancy and Actuarial Discipline Board Limited (a company incorporated in England & Wales) which as explained in note 1(c) has not been consolidated. AADB Limited has no surplus or deficit for the year and has no retained earnings or net assets as at 31 March 2011.

25. Related party transactions

Key Management Compensation

The Directors represent key management personnel for the purposes of the FRC's related party disclosure reporting and their compensation is as disclosed in note 4.

Transactions with subsidiary entities

The FRC entered into the following transactions with the Accountancy and Actuarial Discipline Board Limited (AADB) during the year:

- Amounts receivable from AADB £4,149,000 (2009/10: £2,825,000)
- Contributions made by FRC towards costs of the AADB £4,149,000 (2009/10: £2,825,000)

At the year end, there were no amounts due from or to the AADB.

Richard Fleck, a director of the FRC is a Non-Executive member of the NAO Board. The AIU of POB carried out an independent review of the financial audit practice of the NAO. In 2010/11 payments received by the FRC in respect of those consultancy services amounted to £194,000 (2009/10: £198,000) inclusive of VAT.

26. Liability of members

The members of the FRC have undertaken to contribute a sum not exceeding £1 each to meet the liabilities of the Company if it should be wound up.

Section 4 Other Information

Membership of Operating Bodies

Accounting Standards Board		
Chair	Roger Marshall	*– from 1 November 2010*
	Ian Mackintosh	*– to 31 October 2010*
Members	Nick Anderson	Head of Equity Research, Insight Investment
	Edward Beale	Chief Executive, City Group plc
	Marisa Cassoni	Group Finance Director, John Lewis Partnership *– to 31 March 2011*
	Peter Elwin	Head of Accounting and Valuation Research, Cazenove
	Ken Lever	Chief Financial Officer and Senior Vice President Numonyx BV
	David Loweth	Technical Director ASB
	Robert Overend	Technical Partner, Ernst & Young LLP
	Andy Simmonds	Partner, Deloitte
	Pauline Wallace	Head of UK Public Policy and Regulatory Affairs, PricewaterhouseCoopers
Observers	Mike Ashley	(EFRAG TEG Observer), Partner KPMG
	Ken Beeton	Director Financial Management & Reporting, HM Treasury
	Richard Carter	Company Law and Investigations, BIS
	Ian Drennan	Chief Executive, The Irish Auditing and Accounting Supervisory Authority
	Bob Garnett	IASB Board Member & IFRIC Chair

Auditing Practices Board		
Chair	Richard Fleck CBE	
Members	John Adam	Partner, Deloitte LLP
	Alison Coates	Vice Chair of South Central Strategic Health Authority
	Russell Frith	Director of Audit Strategy for Audit Scotland
	Marek Grabowski	Executive Director
	John Hughes	Partner, KPMG
	Paul Lee	Director of Hermes Equity Ownership Service
	Ronan Nolan	Partner, Deloitte Ireland
	Ian Pickering	Chair of the Audit Committees for Coventry Building Society and Bedford Hospital Trust
	Ranjan Sriskandan	Partner, PricewaterhouseCoopers LLP
	Robert Talbut	Director, Royal London Asset Management
	David Thomas	Senior Vice President Business Risk, Invensys plc
	Tom Troubridge	Partner, PricewaterhouseCoopers LLP *– to 31 August 2010*
	Stuart Turley	Professor of Accounting, Manchester Business School, University of Manchester
	Martin Ward	Partner, Dodd & Co
	Allister Wilson	Partner, Ernst & Young
Observers	Ian Drennan	Irish Auditing & Accounting Supervisory Authority
	Jon Grant	International Auditing and Assurance Standards Board (IAASB) Representative
	Rufus Rottenberg	BIS
	Richard Thorpe	Financial Services Authority

Board for Actuarial Standards

Chair	Jim Sutcliffe	
Members	Keith Barton	Partner, Hewitt, Bacon & Woodrow – *from 1 June 2010*
	David Blackwood	Group Finance Director, Yule Catto & Co plc
	Lawrence Churchill	Chairman, Pension Protection Fund, Senior Independent Director,
		The Children's Mutual & Monkton Group
	Harold Clarke	Director, Ernst & Young (European Actuarial Services)
	Christopher Daws	Former Financial and Deputy Secretary, Church Commissioners; Trustee, Action for Children; Chairman, Action for Children Pension Fund – *to 8 February 2011*
	Olivia Dickson	Non-executive Director, Canada Life Ltd and Investec plc – *from 1 March 2011*
	Steven Haberman	Professor of Actuarial Science; Director and Deputy Dean of Cass Business School, City University
	David Hare	Fellow of the Institute and Faculty of Actuaries – *from 1 February 2011*
	Dianne Hayter	Chair, Consumer Panel of the Bar Standards Board and Property Standards Board – *to 8 February 2011*
	Julian Lowe	Independent General Insurance Consultant; former Aviva General
		Insurance Actuarial Director – *to 8 February 2011*
	Dr Oonagh McDonald CBE	Complaints Commissioner, London Metal Exchange, ICE Futures and ICE Clearing
	Mukesh Mittal	Fellow of the Institute of Actuaries – *to 31 December 2010*
	Jerome Nollet	Corporate Finance Advisor in Risk and Capital Management – *to 30 April 2010*
	Louise Pryor	Director, Actuarial Standards
	Sir Derek Wanless	Chairman, Northumbrian Water Group plc
	Martin Weale	Director, National Institute of Economic and Social Research – *to 8 February 2011*
Observers	Jon-Paul Brett	Private Pensions Policy, Department for Work and Pensions
	Seamus Creedon	Groupe Consultatif Actuariel European
	Jane Curtis	The Actuarial Profession
	Will Price	The Pensions Regulator
	Paul Sharma	Director, Wholesale and Prudential Policy, FSA
	James Templeton	Head of Institutional Investment, HM Treasury
Secretary	Peter Dingwall	

Professional Oversight Board

Chair	Dame Barbara Mills DBE QC	
Members	Richard Barfield	Former Chief Investment Manager of Standard Life – *to 31 May 2010*
	Lillian Boyle	Lawyer and Chartered Insurer
	Anthony Carus	Consulting Actuary; Director, Royal Liver Assurance Limited
	Iain Cheyne	Lawyer
	David Crowther	Director and Audit Committee Chair of TT Electronics plc – *to 30 June 2010*
	Hilary Daniels	Audit Committee Chair, Olympic Lottery Distributor; Independent Member, Professional Services Board of the Institute of Legal Executives – *to 31 March 2011*
	Rudolf Ferscha	Lawyer, banker, executive manager and investor – *from 1 June 2010*
	Paul George	Director of Auditing, FRC, and Director, POB
	John Kellas	Former Chairman of the IAASB
	Mick McAteer	Consumer Advocate
	Diane Walters	Accountant and Academic – *from 1 June 2010*
Secretary	John Grewe	

Accountancy and Actuarial Discipline Board

Chair	Timothy Walker	
Members	Graham Aslet	Fellow of the Institute of Actuaries
	Jeremy Barnett	Barrister
	Mark Eames	Former Director of Audit, BP – *from 11 May 2010*
	James Gemmell	Member of ICAS, former Chairman of Crowe Clark Whitehill
	Mike Green	Former Deputy Group Finance Director, ITV – *from 11 May 2010*
	Jan Kamieniecki	Former Partner at Bacon & Woodrow and Deloitte
	James Kellock	Barrister
	Neil Lerner	Former Partner, KPMG, former Chair, ICAEW and CCAB Ethics
		Committee – to 25 October 2010
	Paul Smith	Former Finance Director, Ford, member of Audit Committees of several public sector bodies
	Philip Taylor	Former Partner, PwC – *from 1 March 2011*
	Stephen Walzer	Solicitor, member of Solicitors Regulation Authority and Competition Commission
Secretary	Anna Colban	

Financial Reporting Review Panel

Chair	Bill Knight	
Deputy Chairs	David Lindsell	Former Partner, Ernst & Young
	Ian Wright	Director of Corporate Reporting, FRC – *to 31 March 2011*
Members	Daniel Abrams	Chief Financial Officer, Fiberweb plc
	Charles Allen-Jones	Former Senior Partner, Linklaters
	Rupert Beaumont	Former Partner, Slaughter and May – *to 31 July 2010*
	David Cairns	IFRS consultant; Visiting Professor, London School of Economics and former Secretary General of the IASC
	Anthony Carey	Partner, Mazars LLP
	Jim Coyle	Divisional Finance Director, Lloyds Banking Group
	Jimmy Daboo	Partner, KPMG. Vice Chairman of KPMG's Global Energy and Natural Resources Practices
	Martin Eadon	Partner, Deloitte & Touche LLP – *to 31 March 2011*
	Christopher FitzGerald	Former Chairman, Regulatory Decisions Committee, FSA
	Gordon Hamilton	Former Partner, Deloitte & Touche LLP
	Eric Hutchinson	Chief Financial Officer and Group Finance Director, Spirent Communications plc
	Alun Jones	Former Partner, PricewaterhouseCoopers LLP
	Dame Mary Keegan	Former Head of the Government Finance Profession, HM Treasury
	David Mabb	QC Erskine Chambers
	Desmond McCann	Former Risk & Quality Partner, PricewaterhouseCoopers LLP
	Richard Meddings	Group Finance Director, Standard Chartered plc
	Barbara Moorhouse	Director General, Corporate Resources, Department for Transport
	Chris Moulder	Partner, KPMG
	Richard Murley	Managing Director, NM Rothschild & Sons
	John Nicholas	Non-executive Director and Audit Committee Chairman of Rotork plc, Ceres Power plc and Mondi Group. Non-executive Director of Hunting Plc
	Andrew Palmer	Formerly Group Director, Legal and General Group plc
	Richard Pinckard	Partner, KPMG
	Richard Piper	Partner with Restoration Partners Limited
	Brian Pomeroy	Management Consultant; Former Senior Partner, Deloitte Consulting
	John Reizenstein	Managing Director, Corporate & Markets Division, Co-operative Financial Services
	Colin Walklin	Finance Director, Standard Life Investments
Secretary	Carol Page	Director, Panel Operations

Abbreviations

AADB	Accountancy and Actuarial Discipline Board
ACCA	Association of Chartered Certified Accountants
AIU	Audit Inspection Unit
APB	Auditing Practices Board
ASB	Accounting Standards Board
BAS	Board for Actuarial Standards
BIS	Department for Business, Innovation and Skills
CCAB	Consultative Committee of Accountancy Bodies
CEIOPS	Committee of European Insurance and Occupational Pension Supervisors
CGU	Corporate Governance Unit
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance & Accountancy
CPD	Continuing Professional Development
EECS	European Enforcers Coordination Sessions
EFRAG	European Financial Reporting Advisory Group
ES	Ethical Standard
ESMA	European Securities and Markets Authority
EU	European Union
FASB	Financial Accounting Standards Board
FRC	Financial Reporting Council
FRRP	Financial Reporting Review Panel
FRS	Financial Reporting Standard
FRSSE	Financial Reporting Standard for Smaller Entities
FSA	Financial Services Authority
GAAP	Generally Accepted Accounting Practice
HMT	Her Majesty's Treasury
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
ICAI	Institute of Chartered Accountants in Ireland
ICAS	Institute of Chartered Accountants of Scotland
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFIAR	International Forum of Independent Audit Regulators
ISA	International Standard on Auditing
OB	Operating Body
POB	Professional Oversight Board
PAAinE	Proactive Accounting Activities in Europe
SME	Small and Medium sized Enterprises
TAS	Technical Actuarial Standard
UK GAAP	UK Generally Accepted Accounting Practice

Supporting material published on the FRC website

This Annual Report 2010/11 is supported by the following material which is available on the 'About the FRC' section of the FRC website:

Supplementary Report on our Activities and Projects 2010/11 at **http://www.frc.org.uk/about/**

Plan 2011/12 at **http://www.frc.org.uk/about/plans.cfm**

The 'About the FRC' section of the website also gives details of:

Our organisation

Activities of our Operating Bodies

Funding arrangements

Our annual planning cycle

- Annual Plans
- Quarterly Strategic Progress & Planning Reports
- Annual Reports

In addition, the FRC website provides details of all our publications, including:

- Standards and related guidance
- Press Notices
- Consultation and discussion papers
- Reports

Contact Details

Questions about the Annual Report should be sent to:

Enquiries

Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

e-mail:
enquiries@frc.org.uk

Telephone:
+44 (0) 20 7492 2300

Fax:
+44 (0) 20 7492 2301

For general information about the work of the FRC, please see our website at: www.frc.org.uk

For any further enquiries, please contact us at the above address.

Acknowledgements:
Newscast for photography: www.newscast.co.uk
Design & Print: www.creaseydesign.co.uk

Other Information


FRC

The Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

+44 (0) 20 7492 2300

www.frc.org.uk

Printed on 100% Recycled paper