



FINANCIAL REPORTING COUNCIL

The UK's Independent Accounting, Auditing & Actuarial Standards Regulator

PREPARERS LEVY 2009/10

UK COMPANIES TRADED ON AIM AND PLUS MARKETS

FACT SHEET

The Financial Reporting Council is the UK's independent regulator responsible for promoting confidence in corporate reporting and governance.

The FRC has a range of statutory powers under UK Company Law. The FRC sets, monitors and enforces compliance with accounting, auditing and actuarial standards. Details of the FRC's work are available on our website at www.frc.org.uk.

This fact sheet provides an overview of the background and basis for the Preparers Levy, the functions of the FRC, the benefits derived from the FRC by UK AIM & PLUS market companies and the calculation of the levy.

Background to the Preparers Levy

- The FRC collects an annual Preparers Levy as part of its funding;
- The levy applies to all active UK AIM & PLUS market companies;
- A levy is collected from publicly listed companies, AIM and PLUS listed companies, large private entities, pension schemes, insurance companies and public sector organisations based on the financial accounts that they prepare.
- The AIM and PLUS listed companies continue to benefit from a substantial discount of 50% on the minimum levy and levy rates compared to the rates applied to publicly traded companies with a UK listing.

Basis for the Preparers Levy

- UK private entities and their auditors are subject to the accounting and auditing standards which the FRC sets, monitors and enforces;
- The FRC has a number of accounting and auditing regulatory duties set by statute;
- Section 17 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, as amended by Part 44 of the Companies Act 2006, confers a power on the Secretary of State to make regulations enabling the FRC to recover its costs through a levy. Thus far, this power has not been exercised.

- The FRC's responsibilities are funded through non-statutory arrangements on the basis of an understanding with the groups subject to the levy. However, should a voluntary approach prove unsustainable, the FRC will formally request that the statutory power be invoked.

The FRC's Functions and Operating Bodies

The FRC's standard-setting, monitoring and enforcement functions are principally carried out through six Operating Bodies.

Five of our six Operating Bodies carry out responsibilities in relation to accounting and auditing which cover UK AIM and PLUS Markets companies:

1. **The Accounting Standards Board** issues the accounting standards which apply to UK AIM and PLUS Markets companies. With the move to International Financial Reporting Standards (IFRS), the Board is influencing the International Accounting Standards Board (IASB) to ensure that the standards it sets are principles-based and cost-effective.
2. **The Financial Reporting Review Panel** reviews company accounts for compliance with the law and accounting standards. The Panel reviews the annual accounts of some 300 companies a year. The Panel's role is to investigate cases where, in the words of the Companies Act, 'it appears to the Panel that there is, or may be, a question whether accounts comply with the requirements of this Act'.
3. **The Auditing Practices Board** issues standards and guidance for auditing, for the work of reporting accountants in connection with investment circulars, and for auditors' integrity, objectivity and independence. It leads the UK's interest in the International Auditing and Assurance Standards Board in setting International Standards on Auditing.
4. **The Professional Oversight Board** provides statutory oversight of the regulation of the UK auditing profession by the recognised supervisory and qualifying bodies. Through the Audit Inspection Unit, it monitors the quality of the auditing function in relation to economically significant entities, including publicly traded companies. It also provides independent oversight of the regulation of accountants by their professional bodies.
5. **The Accountancy and Actuarial Discipline Board** is the independent investigative and disciplinary body for accountants and actuaries in the UK. It is responsible for operating and administering independent disciplinary schemes for public interest cases involving members of the accountancy profession.

Our role in defining good practice in corporate governance through the Combined Code is formally addressed to UK companies with a primary listing in the UK, but we are aware that a number of other companies adopt the Code as a part of their commitment to good governance.

The Benefits Provided by the FRC to UK AIM & PLUS Market Companies

Our work provides significant benefits for UK companies, including those traded on AIM and PLUS Markets, in terms of the widespread confidence in the accounting and auditing requirements which they are required to meet.

Our overall aim is to promote confidence in corporate reporting and governance in the UK by promoting high-quality corporate reporting, auditing, actuarial practice and corporate governance, and by promoting the integrity, competence and transparency of the accountancy and actuarial professions.

Confidence in corporate reporting and governance is a fundamental prerequisite for the effective functioning of the economy and financial markets.

In pursuit of this aim, we seek the following outcomes in relation to accounting and auditing in particular:

- Corporate reports containing information which is relevant, reliable, understandable and comparable, and are useful for decision-making, including stewardship decisions;
- Users of audit reports placing a high degree of reliance on the audit opinion, including whether financial statements show a true and fair view;
- Clients and employers of professionally qualified accountants and actuaries and of accountancy and actuarial firms relying on them to act with integrity and competence, having regard to the public interest.

We are committed to the Better Regulation Executive principles of proportionality, targeting, consistency, transparency and accountability. We are clear that no system of regulation can eliminate the possibility of corporate reporting or governance failures; any attempt to achieve zero failure would destroy wealth rather than facilitate its creation.

Calculation of the Preparers Levy

The 2009/10 levy rates for individual companies comprises a minimum levy of £980 (£490 for UK AIM and PLUS Markets companies) and further amounts payable by companies above a certain threshold with the rate per £m declining in five levy size bands.

The minimum levy and the rates for larger companies will be calculated based on the number of listed or quoted companies and their market capitalisations as at 30 November in the year preceding the year to which the levy relates (i.e. the levy for 2009/10 is based on the data as at 30 November 2008).

For companies which joined the market after 30 November, their latest market capitalisation figures are used for calculating the levy.

Contact Us

If you have a question about the **method of payment** please contact the Levy Collection Team in Mouchel Business Services, who are administering the collection of the levy on frc@mouchel-lincoln.com (telephone: 01522 836860)

If you have a query about the **calculation of the levy** for your company, please e-mail the FRC Finance Officer, Tulsee Rughoobur on t.rughoobur@frc.org.uk (telephone 020 7492 2338).

If you have **any other query** in relation to the levy, please e-mail the FRC Policy and Planning Manager, David Andrews, on planning@frc.org.uk (telephone: 020 7492 2382).