

PREPARERS LEVY 2015/16

FACT SHEET

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

The FRC sets the framework of codes and standards for the accounting, auditing, actuarial and investor communities and oversees the conduct of the professionals involved. Its goal is to ensure that the capital markets and others benefit from timely and relevant information about company performance and board behaviour. We work to promote high standards in accounting; auditing and actuarial practice and we represent UK interests in international standard setting. The FRC is accountable to Parliament and its wide range of stakeholders. The FRC adheres to principles of better regulation, especially wide public consultation. Details of the FRC's work are available on our website at www.frc.org.uk

The Preparers Levy

By agreement with the Department of Business Innovation and Skills and HM Treasury, the Financial Reporting Council is funded partly through a preparers levy on organisations that are subject to, or have regard to, FRC regulatory requirements in preparing their accounts.

Companies and other organisations subject to the Preparers Levy

- All companies listed on the London Stock Exchange with a Premium or Standard listing.
- All UK AIM and ISDX (previously known as PLUS) Market group companies.
- All large private entities with a turnover of £500m or more. Large private subsidiaries of UK listed companies are invoiced on the same invoice as their parent company.
- Global Depository Receipt companies
- Government Departments and other public sector organisations

Basis for the Preparers Levy

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.

Calculation of the Preparers Levy

The 2015/16 levy is made up of a minimum levy of £1,024 and further amounts payable by companies above a certain threshold, with the rate per £m declining in five levy size bands.

Companies with a premium listing on the London Stock Exchange main market are required to pay the full levy. Companies with a standard listing receive a 20% discount and AIM and ISDX market group companies as well as large private entities receive a 50% discount on the levy amount payable.

The tariff data that will be used in calculating the levy for listed entities will be the market capitalisations as at 30 November in the year preceding the year to which the levy relates (i.e. the levy for 2015/16 is based on the data as at 30 November 2014).

In relation to large private entities we use the turnover amount disclosed in their annual report and available at the Companies House as at 30 November 2014. In calculating the levy payable by the large private subsidiaries within a group, we apply the levy to the combined turnover of the subsidiaries. This has the effect of reducing the levy that would otherwise be payable by the individual subsidiaries.

An example of the levy calculation is as follows:

| Organisation : | | ABCD Plc | | |
|------------------------------|--------------------|--------------------------|--------------|---------------|
| Type of organisation: | | Premium UK listed | | |
| Tariff data: £ | | £765,000,000 | | |
| Levy rate 2015-16 | | Levy calculation | | Levy |
| Band 1 - Min fee | Up to £100m | £1,024 | £1,024 | £1,024 |
| Band 2 | £100m - 250m | £10.03 | 150 x £10.03 | £1,505 |
| Band 3 | £250 - £1000m | £7.65 | 515 x £7.65 | £3,940 |
| Band 4 | £1,000m - £5,000m | £5.70 | x | |
| Band 5 | £5,000m - £25,000m | £0.0959 | x | |
| Band 6 | > £25,000m | £0.0182 | x | |
| Total levy | | | | £6,468 |
| 0 % Discount | | | | £0 |
| Levy payable | | | | £6,468 |

Purchase orders

A number of organisations paying the levy have provided us with a Purchase Order number, which makes it easier for them to manage the payment process. In general, the Purchase Order number has been provided by the individual or team responsible for preparing the organisation's annual report and accounts.

Contact Us

If you have a question about the method of payment or to provide Purchase Order number, please contact the Levy Collection Team at Mouchel Business Services Limited, on frc@mouchel-middlesbrough.com (telephone 01642 726 300).

If you have a query about the calculation of the levy for your company, please e-mail the FRC Policy and Planning 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 Head of Organisational Development, David Andrews, on plan@frc.org.uk (telephone: 020 7492 2382).

Financial Reporting Council

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