



THE FINANCIAL REPORTING COUNCIL LIMITED

REPORT AND FINANCIAL STATEMENTS
1991

Company Number 2486368

**THE FINANCIAL REPORTING COUNCIL LIMITED
AND ITS SUBSIDIARIES**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 1991

THE FINANCIAL REPORTING COUNCIL LIMITED

Directors and advisers

Directors

Chairman

Sir Ron Dearing CB

Deputy Chairmen

Sir Trevor Holdsworth

A C Hugh Smith

M G Lickiss

Secretary and Registered Office

S W Treadgold

Holborn Hall

100 Gray's Inn Road

London WC1X 8AL

Auditors

Clark Whitehill

25 New Street Square

London

EC4A 3LN

Solicitors

Freshfields

Whitefriars, 65 Fleet Street

London EC4Y 1HS

Bankers

Bank of England

Threadneedle Street

London EC2R 8AH

Registered in England

No 2486368

Chairman's Statement

Following the wide acceptance of the recommendations made by a Review Committee appointed in 1987 by the Consultative Committee of Accountancy Bodies to advise on arrangements for making accounting standards, I was invited to institute the measures that had been proposed, and subsequently to take the chairmanship of the Financial Reporting Council.

I now have pleasure in presenting the accounts for the first period of operation and welcome this opportunity to thank our sponsors for their strong financial support and, no less important, for their encouragement. Particularly pleasing, and indicative of the wide backing there is for strengthening of the arrangements for making accounting standards, and more widely for improving financial reporting, has been the way people with demanding jobs have agreed to give of their time and expertise to this enterprise. It is indicative of this that almost without exception all those invited to accept appointment to the Financial Reporting Council, the Accounting Standards Board, the Urgent Issues Task Force, the Financial Reporting Review Panel and the Public Sector Liaison Committee, responded very positively and accepted.

The arrangements made are attracting world wide interest, and in particular the innovation of the Financial Reporting Review Panel vested with the authority to use the provisions of Section 245B of the Companies Act 1985. The possibility has thus been provided for an independent body of high standing to enquire, in particular, into departures from accounting standards by major companies, with the power in the last analysis to seek a ruling from the court on whether a departure from an accounting standard results in the accounts in question not giving a true and fair view. This, together with the power of the court to require a revision of accounts and award costs against directors, appears already to be contributing to one of the principal objectives of the new approach to accounting standards, namely to cause all the directors of a company to recognise their personal responsibility for the accounts issued by their company. It is, however, rightly the intention of the Panel to seek to act through persuasion, with reference to the court being a last resort.

Whilst the auditor has a central and key role in seeing that there are reliable, informative accounts, the prime responsibility rests with the directors, and only through a positive commitment by directors for strong and informative financial reporting will those needs be properly served. But apart from that, the effective working of financial markets, upon which companies depend, turns upon excellence in financial reporting.

The Financial Reporting Council plans to issue its own commentary on the state of financial reporting during the autumn, and this report is not the place to anticipate the comments the Council may wish to make. But, as has become evident in the period since the Financial Reporting Council was created, the need for a new approach to the making of accounting standards identified by the Review Committee in 1988 was well founded, and has indeed increased. The future of financial reporting in this country may turn on what is achieved under the new arrangements during the next two years. There is much at stake for the auditing profession and, still more importantly, for industry and commerce as a whole.

I believe a promising start has been made. I am much indebted to all those who joined this initiative and are working so well, and with such generous support, to respond to an urgent need.

R E DEARING

THE FINANCIAL REPORTING COUNCIL LIMITED
DIRECTORS' REPORT
PERIOD ENDED 31 MARCH 1991

DIRECTORS

Sir Ron Dearing CB	Chairman	Appointed 23 March 1990
Sir Trevor Holdsworth	Deputy Chairman	Appointed 23 March 1990
A C Hugh Smith	Deputy Chairman	Appointed 23 March 1990
M G Lickiss	Deputy Chairman	Appointed 7 June 1990
P E Couse	Deputy Chairman	Appointed 23 March 1990 resigned 6 June 1990

Mr Lickiss became Chairman of the Consultative Committee of Accountancy Bodies, in succession to Mr Couse. Mr Hugh Smith is Chairman of the London Stock Exchange. Sir Trevor Holdsworth is Chairman of National Power PLC.

The Directors have pleasure in presenting their report and financial statements for the first accounting period from 23 March 1990 to 31 March 1991.

INCORPORATION

The Financial Reporting Council Limited ("FRC Ltd") was incorporated on 23 March 1990. Its two subsidiaries, The Accounting Standards Board Limited ("ASB Ltd") and The Financial Reporting Review Panel Limited ("FRRP Ltd") were incorporated on 27 July 1990 and 12 December 1990 respectively. All three bodies are companies limited by guarantee.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its subsidiaries is the promotion of best practice in financial reporting. The three companies each deal with one particular aspect of this overall objective through separate committees established by each company.

FRC Ltd (through its committee, the Financial Reporting Council) formulates general policy for the maintenance and improvement of financial reporting practices. ASB Ltd (through its committee, the Accounting Standards Board) makes, amends and withdraws accounting standards and issues other guidance on financial reporting. FRRP Ltd (through its committee, the Financial Reporting Review Panel) investigates apparent departures from the accounting requirements of the Companies Act 1985.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Financial Reporting Council

The Chairman and the three Deputy Chairmen of the Council (who also act in the same capacity as the directors of the company) are appointed by the Secretary of State for Trade and Industry and the Governor of the Bank of England acting jointly.

The Council is constituted as follows. The Chairman of the Accounting Standards Board and the Chairman of the Financial Reporting Review Panel are members of the Council ex-officio, and the Government and the Bank of England each have the right to nominate one member. The remaining members and observers are appointed by the Chairman and Deputy Chairmen. The membership is designed to include wide and balanced representation at the most senior level of preparers, auditors and users of accounts and of others interested in them. The Republic of Ireland Department of Industry and Commerce sends an observer to meetings of the Council.

The remit of the Council is to provide support to the operational bodies, the Accounting Standards Board and the Financial Reporting Review Panel, and to encourage good financial reporting generally. At its first meeting in May 1990 the Council codified this role as being:

- i) to promote good financial reporting, and in that context from time to time make public reports on reporting standards. In that role it would as appropriate from time to time make representations to Government on the current working of legislation and on any possible development of it;
- ii) to provide guidance on work programmes and on broad policy issues to the Accounting Standards Board; and
- iii) to verify that the new arrangements are conducted with efficiency and economy and that they are adequately funded.

At this meeting and its two subsequent meetings the Council has pursued these objectives. In addition, while the Financial Reporting Council is primarily concerned with accounting standards, it has a wider interest in financial reporting and at its meeting in January 1991 it welcomed the initiative taken by the Chairman of the Consultative Committee of Accountancy Bodies to remind auditors of their responsibilities. But in so doing it underlined that the primary responsibility for good financial reporting lay with company directors themselves. The Council also decided that its Chairman should urge the major investing institutions to use their considerable influence in support of better financial reporting. This initiative was followed up by a number of constructive discussions with representatives of the institutions to inform them of the work of the Accounting Standards Board and the Review Panel.

These wider interests of the Council also involved the Chairman in an initiative which has led to the appointment of a committee under the Chairmanship of Sir Adrian Cadbury to advise on the financial aspects of corporate governance. Sir Ron Dearing is a member of the Committee, as are three other members of the Council.

The Accounting Standards Board

The Accounting Standards Board is the operating unit of ASB Ltd. It commenced operations on 1 August 1990. In company law terms ASB Ltd is a wholly owned subsidiary of FRC Ltd, which acts as its sole director.

By SI 1990/1677 the Secretary of State for Trade and Industry prescribed ASB Ltd for the purposes of Section 256(1) of the Companies Act 1985 with the effect that statements of standard accounting practice issued by the Accounting Standards Board are "accounting standards" for the purposes of the accounting requirements of that Act. The Accounting Standards Board is independent and acts on its own authority in making accounting standards; it needs neither outside approval for its actions nor approval from the company's director. Nor does it require the endorsement of the Financial Reporting Council for its decisions. The Board does however intend to consult widely on its proposals.

Membership of the Board is limited to a maximum of ten; at present there are nine members, of whom two are full-time and seven part-time. The Board's full-time Chairman is David Tweedie; Sir Bryan Carsberg, Director General of OFTEL, is its part-time Vice Chairman, and Allan Cook is its full-time Technical Director.

At its first meeting the Board agreed to adopt the 22 extant Statements of Standard Accounting Practice (SSAPs) issued by the former Accounting Standards Committee or its predecessor. Adoption by the Board gives the SSAPs the status of "accounting standards" within the terms of Part VII of the Companies Act 1985. The Board plans to review these SSAPs individually as appropriate opportunities arise during the course of its future work.

The Board has subsequently indicated its policy for the development of Statements of Recommended Practice (SORPs) and has announced its work programme. An important feature of the work programme is the development of an overall Statement of Principles as a framework within which consistent accounting standards can be developed. The Board has indicated that its general aim in the making of accounting standards will be to centre them as far as possible on principles rather than by the prescription of highly detailed rules.

The Board's work programme for 1991 envisages the issue of 3 financial reporting standards and 7 financial reporting exposure drafts, 5 of which would be chapters of the Statement of Principles that the Board plans to issue when completed. In some cases the exposure drafts are to be preceded by discussion drafts.

In April 1991 two discussion drafts were issued, a draft accounting standard on the structure of financial statements and a related draft chapter of the Statement of Principles. The aim of the draft standard is to give a clearer and more informative picture of a company's financial performance by "layering" the profit and loss account, highlighting movements in reserves, and providing for additional disclosure in key areas. The principal features are the separate identification of continuing and discontinued operations, both generally and for exceptional items; a narrowing of the definition of extraordinary items; disclosure of the results of acquisitions and of "discretionary" costs; a separate statement of realised profits; and a new movement of reserves statement. In the light of comments received on these discussion drafts, the Board will issue exposure drafts for a longer period of full public consultation.

Urgent Issues Task Force

An Urgent Issues Task Force (UITF) has been established as a subcommittee of the Accounting Standards Board. Its main role will be to assist the Board in areas where an accounting standard or Companies Act provision exists, but where unsatisfactory or conflicting interpretations have developed or seem likely to develop. In addition the Board may from time to time seek the UITF's view on significant developments in accounting and financial reporting in areas where no legal provision or accounting standard at present exists. The UITF will operate in a broadly similar way to its USA and Canadian counterparts by seeking to reach a consensus on the issue under consideration. There are 15 voting members, of whom 11 constitute a quorum. The requirement for the achievement of a consensus is that not more than two of the voting members present at the meeting dissent. Unless the consensus thus established conflicts with the law, accounting standards, or the Board's policy or plans, the Board would expect it to be regarded as accepted practice in the area in question, and the intention is that it should be considered to be part of the corpus of practices forming the basis for what determines a true and fair view. Thus the expectation is that companies will conform to it, if necessary by changing previously adopted policies.

The Task Force is chaired by David Tweedie, ASB Chairman.

Accounting standards and the public sector

The Accounting Standards Board is establishing a Public Sector Liaison Committee with Graham Stacy, an ASB Board member, as Chairman. While the prescription of accounting standards in the public sector is a matter for Government, the Committee will help the Board to assist with the process of reducing as far as practicable differences in accounting and financial reporting between the public and private sectors in those areas where public sector bodies prepare their annual reports and accounts on commercial lines.

The Financial Reporting Review Panel

FRRP Ltd is a subsidiary of FRC Ltd, which acts as its sole director. FRRP Ltd contains a Financial Reporting Review Panel which is autonomous in carrying out its functions; it needs neither outside approval for its actions nor approval from the company's director. The Financial Reporting Council is not empowered to intervene in any way in the Review Panel's consideration of any matter.

The role of the Review Panel is to examine departures from the accounting requirements of the Companies Act 1985 and if necessary to seek an order from the court to remedy them. Its authority stems from SI 1991/13 made by the Secretary of State for Trade and Industry which from 1 February 1991 authorised the Panel for the purposes of section 245B of the Companies Act 1985 (which was inserted into that Act by the Companies Act 1989). By agreement with the Department of Trade and Industry the ambit of the Panel will normally be public and large private companies, the Department dealing with all other cases. The companies within the Panel's ambit are thus public limited companies (PLCs) (except PLCs that are subsidiaries in a small or medium sized group); companies within a group headed by a PLC; and any company not qualifying as small or medium sized as defined by section 247 of the Companies Act 1985 or any company within a group that does not qualify as small or medium sized as defined by section 249 of the Act. The accounts which the Review Panel is authorised to investigate are those for financial years beginning on or after 23 December 1989.

The Review Panel's main concern will be with an examination of material departures from accounting standards with a view to considering whether the accounts in question nevertheless meet the statutory requirements to give a true and fair view. While such a departure does not necessarily mean that a company's accounts fail the true and fair test, it will raise that question; and a Companies Act 1989 amendment to the Companies Act 1985 requires large companies to disclose in their accounts any such departures together with the reasons for them, thus enabling them to be readily identified and considered.

In considering an individual case the Review Panel will operate by means of a Group of five or more members drawn from the overall Review Panel membership constituted to deal with it. That Group will be responsible for carrying out the functions of the Review Panel for that case; there is no collective involvement by the other Panel members. The Panel's formal procedures have been approved by the Secretary of State.

Groups will normally aim to discharge their tasks by seeking voluntary agreement with the directors of a company on any necessary revisions to the accounts in question. (The Companies Act 1989 has made possible the voluntary revision of accounts as well as their revision by court order). But if that approach fails and it believes that revision is called for the Review Panel will seek a declaration from the court that the annual accounts of the company concerned do not comply with the requirements of the Companies Act 1985, and for an order requiring the directors of the company to prepare revised accounts. If the court grants such an order it may also require the directors to meet the costs of the proceedings and of revising the accounts.

Where accounts are revised at the instance of the Review Panel, either voluntarily or by Order of the court, but the company's auditor had not qualified his audit report on the defective accounts, the Review Panel will draw this fact to the attention of the auditor's recognised supervisory body.

The Chairman of the Review Panel is Simon Tuckey QC who practices at the commercial bar and sits as a commercial arbitrator and is a Recorder. The Deputy Chairman is Michael Renshall CBE, a partner in the London practice of KPMG Peat Marwick McLintock.

Northern Ireland

Legislative provisions similar to those outlined above relating to the ASB and the FRRP have also been made for, and apply in, Northern Ireland.

The Republic of Ireland

The accounting standards made by the former Accounting Standards Committee was promulgated in the Republic of Ireland by the Institute of Chartered Accountants in Ireland (ICAI) which is one of the constituent members of the Consultative Committee of Accountancy Bodies. These promulgation arrangements will continue for accounting standards made by the Accounting Standards Board, which from time to time will include modifications to take account of the different legislative background in the Republic.

The Accounting Standards Board maintains close liaison with the ICAI, and the Republic of Ireland Department of Industry and Commerce sends an observer to the meetings of the Financial Reporting Council. The Review Panel does not operate within the Republic.

FINANCIAL REVIEW

The Company obtained funding for the period from the following organisations:

- Department of Trade and Industry
- Consultative Committee of Accountancy Bodies
- London Stock Exchange
- Bank of England
- Department of Economic Development (Northern Ireland)

For 1991/92 the contribution provided by the Bank of England will be replaced by contributions from a number of the larger clearing banks.

Sponsors have indicated their intention to provide sufficient funding to meet the budgeted expenditure of the Company and its subsidiaries until 31 March 1993. Negotiations with the sponsors and with other interested parties to secure funding for future years are planned to begin well before the end of the current three year funding period.

The Company received £2.5 million from its sponsors for 1990/91, of which £1.5 million was to meet running costs and for capital expenditure. The remaining £1.0 million was earmarked by the sponsors for the creation of a Legal Costs Fund. This Fund may only be used to meet the legal, professional and other costs of Review Panel investigations. The sponsors have indicated that they will contribute a total of £1 million per annum to the Legal Costs Fund in both 1991/92 and 1992/93, to establish a fund of £2 million; thereafter it will be replenished to that level, subject to a maximum contribution in any year of £1 million. If in any financial year the Legal Costs Fund should appear to be likely to be insufficient to meet the possible demands on it, it would be open to the Secretary of State to take over the litigation in question or to provide any necessary funding.

During the reporting period a sum of £1,015,000 has been transferred to the Legal Costs Fund representing the contribution from the sponsors, together with interest (net of taxation) of £15,000 earned on these contributions.

The surplus for the year after the transfer to the Legal Costs Fund amounts to £307,000. £206,000 of this surplus is represented by fixed assets and £90,000 by the rent deposit, leaving a balance of £11,000 available to contribute to expenses in future years.

FIXED ASSETS

Fixed asset additions are set out in note 10 to the financial statements. These took place predominantly in the first few months of operations.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company maintained liability insurance for its directors and officers.

AUDITORS

A resolution for the reappointment of Clark Whitehill as auditors to the Company will be put to the annual general meeting.

BY ORDER OF THE BOARD

S W Treadgold
Secretary

25 June 1991

**AUDITORS' REPORT TO THE MEMBERS OF THE FINANCIAL
REPORTING COUNCIL LTD**

We have audited the financial statements on pages 10 to 19 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 1991 and of the income and expenditure and source and application of funds of the group for the period from 23 March 1990 (date of incorporation) to 31 March 1991 and have been properly prepared in accordance with the Companies Act 1985.

25 June 1991

CLARK WHITEHILL

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

	<u>Notes</u>	£'000	£'000
CONTRIBUTIONS FROM SPONSORS	2		2,526
Other operating income			7
			<hr/>
			2,533
Staff costs	3	591	
Depreciation		34	
Formation expenses		96	
Other operating charges		528	
			<hr/>
OPERATING CHARGES	5		1,249
			<hr/>
OPERATING SURPLUS			1,284
INTEREST RECEIVABLE	6		51
			<hr/>
SURPLUS BEFORE CONTRIBUTION TO LEGAL COSTS FUND			1,335
CONTRIBUTION TO LEGAL COSTS FUND	7		1,020
			<hr/>
SURPLUS BEFORE TAXATION			315
Taxation	8		8
			<hr/>
SURPLUS OF INCOME OVER EXPENDITURE	9		307
			<hr/>

The notes on pages 13 to 19 form part of these financial statements.

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

31 MARCH 1991

	Notes	Group		Company	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		206		206
CURRENT ASSETS					
Debtors	11	103		103	
Cash at bank and in hand	12	1,490		391	
		1,593		494	
CREDITORS: amounts falling due within one year					
	13	475		391	
NET CURRENT ASSETS					
			1,118		103
TOTAL ASSETS LESS CURRENT LIABILITIES					
			1,324		309
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	14		2		2
			1,322		307
CAPITAL AND RESERVES					
Accumulated surplus			307		307
Legal Costs Fund	7		1,015		-
			1,322		307

1015
 Legal Costs Fund
 Contributed Received: Address 238K
 A.2.5M

Approved by the Board on 25 June 1991
 and signed on its behalf by: Sir Ron Dearing CB, Chairman

The notes on pages 13 to 19 form part of these financial statements.

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

PERIOD FOR 23 MARCH 1990 TO 31 MARCH 1991

	£'000
SOURCE OF FUNDS	
Surplus before contribution to Legal Costs Fund	1,335
Adjustment for item not involving the movement of funds:	
Depreciation	34
	<hr/>
TOTAL GENERATED FROM OPERATIONS	1,369
OTHER SOURCE OF FUNDS	
Contributions received in advance	238
	<hr/>
	1,607
APPLICATION OF FUNDS	
Purchase of fixed assets	240
	<hr/>
	1,367
	<hr/>
INCREASE/(DECREASE) IN WORKING CAPITAL	
Debtors - due within one year	13
Debtors - due after one year	90
Creditors (excluding corporation tax)	(226)
	<hr/>
	(123)
INCREASE IN NET LIQUID FUNDS	
Cash at bank and in hand	1,490
	<hr/>
	1,367
	<hr/>

The notes on pages 13 to 19 form part of these financial statements.

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

1. ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements are prepared in accordance with applicable accounting standards. In conjunction with the Directors' Report, these financial statements also comply in all material respects with International Accounting Standards.

b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and both of its subsidiaries, after elimination of all material balances and transactions between members of the group. One of the subsidiaries, The Financial Reporting Review Panel Ltd, is not required to produce its first statutory financial statements until 31 March 1992 and these consolidated financial statements therefore incorporate audited management accounts of that subsidiary for the period from 12 December 1990 (its date of incorporation) to 31 March 1991.

c) Contributions from Sponsors

Contributions from sponsors are credited to the Income and Expenditure account when they become receivable.

d) Legal Costs Fund

Contributions which are specifically designated by the donors to the Legal Costs Fund are transferred to that fund. Interest (net of attributable taxation) earned on these sums is also credited to the Fund.

e) Provisions for Costs of Investigations

The legal and professional costs of Review Panel investigations cannot be estimated with reasonable accuracy until the investigation is substantially complete. Provision is therefore made only to the extent that costs have been incurred by the balance sheet date.

f) Depreciation

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost, less estimated residual value, over their expected useful lives, as follows:

Office equipment and furniture	-	3 - 5 years
Fixtures and fittings	-	5 years

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

g) **Deferred Taxation**

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise. Timing differences are items which are not taxed in the same period as they are recognised in the financial statements.

2.	CONTRIBUTIONS FROM SPONSORS	£'000
	Legal Costs Fund (note 14)	1,000
	Other contributions	1,526
		<hr/>
		2,526
		<hr/>

Contributions from government were £981,000.

3.	STAFF COSTS	£'000
	Directors' fees (note 4)	37
	Salaries	524
	Social security costs	27
	Other pension costs	3
		<hr/>
		591
		<hr/>

The average weekly number of employees during the period and the number at 31 March 1991 were as follows:

	<u>Average</u> No.	<u>31 March 1991</u> No.
Professional accounting staff	4	8
Administrative staff	6	8
	<hr/>	<hr/>
	10	16
	<hr/>	<hr/>

The company does not operate a pension scheme. Other pension costs comprise payments to individual money purchase schemes.

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

4. DIRECTORS' EMOLUMENTS

	£'000
Fees	37
	—

The emoluments of the chairman (who was also the highest paid director) were £16,667.

The emoluments of the remaining directors fell into the following bands:

	No
£5,001 - £10,000	2
	—

Three directors (one in part) waived emoluments amounting to £23,333.

5. OPERATING CHARGES

Operating charges are attributed as follows to the Company and its subsidiary undertakings:

	The Financial Reporting Council Ltd £'000	The Accounting Standards Board Ltd £'000	The Financial Reporting Review Panel Ltd £'000	Total £'000
Staff costs	114	477	-	591
Depreciation	7	27	-	34
Formation costs	40	40	16	96
Other operating charges	71	448	9	528
	—	—	—	—
	232	992	25	1,249
	—	—	—	—

Where operating charges are not directly attributable to the affairs of a single company, they have been allocated in proportion to the time spent on the affairs of the respective Companies by the staff concerned.

Operating charges include:	£'000
Auditors' remuneration	3
Hire of office equipment	8
Other operating lease rentals	121
	—

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

6.	INTEREST RECEIVABLE	£'000
	Bank interest	44
	Interest on rent deposit	7
		<u>—</u>
		51
		<u>—</u>

£20,000 of the bank interest relates to the Legal Costs Fund.

7. **LEGAL COSTS FUND**

Contributions have been received to enable The Financial Reporting Review Panel Limited to take steps to ensure compliance with accounting standards and with the accounting requirements of the Companies Act 1985 and to investigate departures from those standards and requirements. Those funds and any interest earned on them (less any attributable taxation) may only be used for this purpose and may not be used to meet other costs incurred by the group. The Financial Reporting Review Panel Ltd 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 Trade and Industry for the purposes of section 245B of the Companies Act 1985.

The movements in the Fund during the period were as follows:	£'000
Contributions from sponsors	1,000
Interest income	20
	<u>—</u>
Transfer from Income and Expenditure Account	1,020
Taxation on interest income at 25%	(5)
	<u>—</u>
Balance at 31 March 1991	1,015
	<u>—</u>

The Fund is represented by:	£,000
Cash at bank and in hand	1,099
Contributions in advance	(79)
Taxation	<u>(5)</u>
	<u>1,015</u>

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

8. TAXATION

	<u>£'000</u>
Corporation tax at 25% on interest received	11
Deferred taxation at 25% on accrued interest receivable	2
	<u>13</u>
Taxation attributable to Legal Costs Fund (note 7)	(5)
	<u>8</u>

No tax is payable on the excess of contributions over expenses.

9. SURPLUS OF INCOME OVER EXPENSES

Under section 230 of the Companies Act 1985, the company is not required to include its own individual income and expenditure account in these financial statements. The surplus of the company's income over its expenditure for the period was £307,000.

10. TANGIBLE ASSETS

	<u>Group and Company</u>		<u>Total</u>
	<u>Office equipment and furniture</u>	<u>Fixtures and fittings</u>	
	£'000	£'000	£'000
Additions at cost	87	153	240
Depreciation	(14)	(20)	(34)
	<u>—</u>	<u>—</u>	<u>—</u>
Net book value 31 March 1991	73	133	206
	<u>—</u>	<u>—</u>	<u>—</u>

11. DEBTORS

	<u>Group</u>	<u>Company</u>
	£'000	£'000
Other debtors	95	95
Prepayments and accrued income	8	8
	<u>—</u>	<u>—</u>
	103	103
	<u>—</u>	<u>—</u>

Other debtors include a rent deposit of £90,000 which falls due after more than one year.

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

12. CASH AT BANK AND IN HAND

	<u>Group</u> £'000	<u>Company</u> £'000
General bank accounts	391	391
Legal Costs Fund bank accounts	1,099	-
	<hr/>	<hr/>
	1,490	391
	<hr/>	<hr/>

Sums held in the Legal Costs Fund accounts may only be used for the purposes described in note 7.

13. CREDITORS: Amounts falling due within one year

	<u>Group</u> £'000	<u>Company</u> £'000
Trade creditors	103	103
Corporation tax payable	11	6
Other taxation and social security	20	20
Other creditors	25	25
Accruals	78	78
Contributions received in advance	238	159
	<hr/>	<hr/>
	475	391
	<hr/>	<hr/>

14. DEFERRED TAXATION

	<u>Group</u> £'000	<u>Company</u> £'000
Deferred taxation is provided at 25% on:		
Accrued interest receivable	2	2
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

Provision has been made for all potential deferred tax liabilities.

THE FINANCIAL REPORTING COUNCIL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM 23 MARCH 1990 TO 31 MARCH 1991

15. COMMITMENTS

There were no capital commitments outstanding at 31 March 1991.

Annual commitments for the Group and Company under non-cancellable operating leases falling due:

	<u>Leasehold Property</u> £'000	<u>Other</u> £'000
Operating leases expiring:		
Within one year	-	-
After one year, within five years	180	14
After more than five years	-	-
	—	—
	180	14
	—	—

16. SUBSIDIARY UNDERTAKINGS

Name	Activity
The Accounting Standards Board Ltd.	Developing Accounting Standards
The Financial Reporting Review Panel Ltd.	Enforcing Accounting Standards

Both subsidiary undertakings are companies limited by guarantee and are registered in England and Wales. In both cases the Company has undertaken to contribute a sum not exceeding £1 to meet the liabilities of the subsidiary undertaking if the subsidiary is wound up. The only members of the subsidiary undertakings are the Company and its chairman (as nominee for the Company). The Company is sole director of both undertakings.

17. LIABILITY OF MEMBERS

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

THE FINANCIAL REPORTING COUNCIL

Chairman

Sir Ron Dearing CB

Deputy Chairmen

Sir Trevor Holdsworth

Past President of the CBI and
Chairman, National Power
Deputy Chairman, Prudential

Andrew Hugh Smith

Chairman,
The London Stock Exchange

Michael Lickiss

Past President, The Institute of Chartered
Accountants in England & Wales; Past Chairman,
The Consultative Committee of Accountancy
Bodies; Partner, Grant Thornton

Chairman of Accounting Standards Board (ex officio)

David Tweedie

Chairman of The Financial Reporting Review Panel (ex officio)

Simon Tuckey QC

Members

John Bourke

Chairman and Chief Executive,
TSB Commercial Holdings Plc

Elwyn Eilledge

Senior Partner, Ernst & Young

Sir Paul Girolami

Chairman, Glaxo Holdings Plc

Brandon Gough

Chairman, Coopers & Lybrand Deloitte

Graham Kennedy

Director, James Capel & Co Ltd

Professor Andrew Likierman

Professor of Accounting & Financial Control,
London Business School

Geoffrey Maitland Smith

Chairman, Sears Plc

Leif Mills

General Secretary, Banking, Insurance
and Finance Union

Mrs Rowena Mills	Chairman, RMA Ltd
Bill Morrison	Deputy Senior Partner , KPMG Peat Marwick McLintock
Robin Mountfield CB	Deputy Secretary, Department of Trade and Industry (Government nominee)
John Parkes	Chief Executive, Humberside County Council
Brian Pearse	Chief Executive, Midland Bank Plc
Ralph Quartano CBE	Chairman, PosTel
The Lord Rockley	Vice-Chairman, Kleinwort Benson Group Plc
Jack Shaw CBE	Director, Bank of Scotland
Mark Sheldon	Senior Partner, Linklaters & Paines
Christopher Swinson	National Managing Partner, BDO Binder Hamlyn
Stanley Thomson CBE	Director of Sales, Ford Motor Company Limited
Stephen Walls	Chairman and Chief Executive, Wiggins Teape Appleton
The Hon Geoffrey Wilson CVO	Chairman, Delta Plc
<i>Observers</i>	
Sir John Bourn KCB	Comptroller & Auditor General, National Audit Office
Alan Hardcastle	Chief Accountancy Adviser to the Treasury and Head of the Government Accountancy Service
Michael Smith	Head of Industrial Finance Division, Bank of England (Bank of England nominee)
<i>Secretary</i>	
Sydney Treadgold	

THE ACCOUNTING STANDARDS BOARD

Chairman (full-time)

David Tweedie

Technical Director (full-time)

Allan Cook

Members (part-time)

Sir Bryan Carsberg
(Vice Chairman)

Director General, OFTEL

Robert Bradfield

Head of UK Equity Investment Research, Cazenove & Co

Elwyn Eilledge

Senior Partner, Ernst & Young

Michael Garner

Finance Director, TI Group Plc

Donald Main

Group Finance Director, Forte Plc

Roger Munson

Senior Technical Partner, Coopers & Lybrand Deloitte

Graham Stacy

Senior Technical Partner, Price Waterhouse

Academic Adviser

Professor Geoffrey Whittington

University of Cambridge

Legal Adviser

Professor Robert Jack

Senior Partner, McGrigor Donald

Observers

Alan Hardcastle

Chief Accountancy Adviser to the Treasury
and Head of the Government Accountancy Service

Sarah Brown

Head of Companies Division, Department of
Trade and Industry

THE URGENT ISSUES TASK FORCE

David Tweedie (Chairman)	Chairman, Accounting Standards Board
Richard Brandt	Partner in charge of accounting and auditing, Grant Thornton
Ian Brindle	Senior Partner, Price Waterhouse
Martin Broughton	Senior Finance Director, BAT Industries Plc
David Davis	Partner in charge of auditing services, Clark Whitehill
Henry Gold	Technical Director, Institute of Chartered Accountants in England and Wales
Richard Hall	Partner, BDO Binder Hamlyn
Keith Hamill	Finance Director, United Distillers (Guinness Plc)
Ray Hinton	Chairman of Professional Standards, Arthur Andersen
Michael Hughes	Deputy Chairman of the Accounting Committee, KPMG Peat Marwick McLintock
James Joll	Finance Director, Pearson Plc
Ron Paterson	Technical Partner, Ernst & Young
Matthew Patient	Senior Technical Partner, Coopers & Lybrand Deloitte
Andrew Robb	Finance Director, Pilkington Plc
Professor Jack Shaw CBE	Director, Bank of Scotland
Ken Wild	Accounting Technical Partner, Touche Ross

THE FINANCIAL REPORTING REVIEW PANEL

Simon Tuckey QC	Chairman
Michael Renshall CBE	Deputy Chairman
David Allen	SFM Limited
John Baden	Chief Executive, Girobank
Sir John Bourn KCB	Comptroller & Auditor General, National Audit Office
Claude Brown	Senior Partner, Pannell Kerr Forster
Michael Butler	Finance Board Member, British Coal
Roger Buttery	Managing Director, Hartshead Pension Management Limited
Susan Ellen	Managing Director, BUPA Health Services
Anthony Jones	Solicitor, formerly with Herbert Smith
Nigel Macdonald	Partner, Ernst & Young
Sir Eric McDowell	Chairman, Industrial Development Board for Northern Ireland
Richard McGregor	Director of Finance & Planning, Thos. Barlow (Holdings) Ltd
James McKinnon	Director General, Office of Gas Supply
David Mallett	Chief Group Inspector, Standard Chartered Bank
Anthony Mallinson	Solicitor, formerly with Slaughter & May
David Mitchell	Company Secretary, Allied Lyons
Sir Idris Pearce	Partner, Richard Ellis
John Roques	Managing Partner, Touche Ross
Ron Scott	Former Director, Storey Sons & Parker
Nigel Stapleton	Finance Director, Reed International
Andrew Threadgold	Chief Executive, Postel