Deloitte & Touche

EUROPEAN COMPARISON: UK & FRANCE

The main differences between UK and French accounting practice

by Chris Jones and Marie-Dominique Samar-Fauchon

The authors express their gratitude to all their colleagues participating in this project, both in France and the UK, particularly to Andy Simmonds and Olivier Azières for their technical advice.

Design, typesetting and electronic film output by the Deloitte & Touche Studio, London.

Contents

Abbreviations

UNITED KINGDOM

ASB	Accounting Standards Board
ASC	Accounting Standards Committee
1985 CA Sch 4	Schedule 4 of the 1985 Companies Act
FRED	Financial Reporting Exposure Draft issued by ASB
FRS	Financial Reporting Standard issued by the ASB
ICAEW	Institute of Chartered Accountants in England and Wales
SOP	Statement of Principles for Financial Reporting
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice issued by the UK accountancy bodies
STRGL	Statement of total recognised gains and losses
UITF	Urgent Issues Task Force

FRANCE

CGI	Code Général des Impôts (French taxation law)
CNC	Conseil National de la Comptabilité (the National Accounting Board – institution responsible for issuing and interpreting accounting standards)
CNCC	Compagnie Nationale des Commissaires aux Comptes (the National Institute of Statutory Auditors)

COB	Commission des Opérations de Bourse (the stock exchange regulator equivalent to the Financial Services Authority in the UK)
CRC	Comité de la Réglementation Comptable (the institution approving and enforcing CNC standards)
OEC	Ordre des Experts Comptables (the French institute of certified public accountants)
PCG	Plan Comptable Général (the General Chart of Accounts or National Accounting Code – document grouping accounting rules and charts applicable to industrial and commercial companies)
Règ n°99-02	CRC Regulation relating to consolidated accounts of commercial companies and public enterprises.

INTERNATIONAL

IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee

Introduction

The aim of the European Union in issuing two directives (the Fourth directive and the Seventh directive) relating specifically to the form and contents of financial statements was to harmonise accounting practice throughout the European Union. Likewise, but on a global scale, the aim of the International Accounting Standards Committee (IASC) and the newly established Board (IASB), where both the UK and France have actively participating members, is to promote generally accepted accounting principles around the world. As a consequence, one could assume that financial statements prepared in both countries are similar in all practical respects. But there is still in fact a long way to go and significant differences remain particularly in the detailed methods of computing profit.

As in the UK, financial statements in France must present a true and fair view of the assets, liabilities and financial position of a company including profits or losses for the period.

A particular feature of French statutory accounts is that in a number of areas (for instance finance lease contracts), they are prepared according to tax driven prescriptions and legal forms of operations (rather than substance). In the consolidated accounts, the tax driven entries are removed and further options are available so that the accounts reflect more the substance of operations rather than their form.

SCOPE OF THIS BOOK

Although the broad principles covered by UK and French statements are often in agreement, many differences still exist in the application of these principles in practice.

This booklet is intended to assist companies which trade in both the UK and France in obtaining a high level overview of the differences between UK and French GAAP.

The differences between UK and French GAAP discussed in this booklet are those likely to arise for companies trading in non-specialised industries. It is not possible to identify all differences that could exist as a result of particular circumstances. Consequently, where differences at a detailed level are important, for example in complex areas such as leasing and pension accounting, the reader is advised to take appropriate professional advice.

The analysis does not attempt to cover differing accounting practice in specialised industries such as banking, insurance, oil and gas, utilities or governmental entities.

Differences in disclosure requirements in both countries are not the primary focus of this booklet. Discussion of disclosure requirements included below is limited to assisting the reader in understanding the primary differences in accounting policies only. Significant differences do, however, exist in required financial statement disclosure. Furthermore, companies which are listed on a stock exchange in the UK or in France must comply with disclosure rules published by these institutions (the UK Financial Services Authority and the *Commission des Opérations de Bourse* (COB) respectively). Such rules may cause additional financial reporting differences not discussed in this publication.

This publication reflects accounting practices followed and standards that were issued prior to 31 August 2001.

STANDARD-SETTING IN THE UK

Standard-setting outside Company law began in 1970, with the establishment of the Accounting Standards Steering Committee by the Institute of Chartered Accountants in England and Wales (ICAEW). In 1976, this committee was reconstituted as a joint committee of the six accountancy bodies which comprise the Consultative Committee of Accountancy Bodies, and was known as the Accounting Standards Committee (ASC).

By 31 July 1990, the ASC had still in issue 22 Statements of Standard Accounting Practice (SSAPs), two Statements of Recommended Practices (SORPs), and numerous exposure drafts of proposed SSAPs.

SSAPs generally deal with broad principles on areas of accounting that are applicable to almost all UK companies. There remain significant issues for which no statements have been produced and issues, although covered by

SSAPs, where a variety of treatments are acceptable. The existence of such variety results from two features of SSAPs:

- SSAPs may recognise more than one basis of accounting (e.g. goodwill); and
- SSAPs may specify acceptable practice; however the emphasis on broad principle permits a number of different interpretations which leads to alternative treatments.

The ASC was very slow to respond to changes in the financial reporting environment, because it needed to secure the agreement of six accounting institutes and because it lacked necessary resources. Many observers also felt that the ASC was too willing to compromise. These factors, coupled with increasing complexity of accounting issues and a growing demand for more sophisticated financial reporting, led to implementation of a new standard-setting and regulatory framework.

The new framework is as follows:

Financial Reporting Council

- guides the ASB
- nominates committee members
- provides funding

Financial Reporting Review Panel

- investigates when it appears that requirements of the Companies Act, principally the requirement that financial statements show a true and fair view, have been breached

Accounting Standards Board (ASB)

- develops, issues and withdraws accounting standards.

Urgent Issues Task Force (UITF)

- assists the ASB 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 August 1990, the Accounting Standards Board (ASB) replaced the ASC, with statutory authority to issue accounting standards without the need to seek approval from the six accountancy bodies that make up the Consultative Committee of Accountancy Bodies. The ASB has adopted and still retains 13 SSAPs issued by the ASC and, prior to 31 August 2001, issued 19 Financial Reporting Standards (FRS). Work on a conceptual framework has resulted in the issue of the Statement of Principles for Financial Reporting (SOP) in December 1999. Recent standards are:

Standards	Topic
FRS 17 (issued 30 November 2000)	Retirement Benefits (superseding SSAP 24)
FRS 18 (issued 7 December 2000)	Accounting Policies (superseding SSAP 2)
FRS 19 (issued 7 December 2000)	Deferred Tax (superseding SSAP 15)

The new standards on pension costs and deferred tax represent a significant change from the current requirements and have extended implementation periods. These changes are referred to in the relevant parts of the comparison: Section 10 “Employee Benefits” and Section 11 “Accounting for Income Taxes”.

The Urgent Issues Task Force (UITF) was established by the ASB in 1991. It assists the ASB in areas where an accounting standard or Companies Act provision exists, but where unsatisfactory or conflicting interpretations have developed or seem likely to develop. The results of the UITF’s deliberations on a subject are promulgated by means of published Abstracts.

Statement of Recommended Practice (SORP)

The ASC developed and issued two SORPs together with an Explanatory Foreword to SORPs. In addition the ASC ‘franked’ SORPs developed by bodies representative of the industry/sector to which the SORP would apply. The ASB has announced that it will not issue its own SORPs. However, SORPs will be developed by bodies recognised by the ASB to provide guidance on the application of accounting standards to specific industries. The ASB will not ‘frank’ such SORPs. Instead, where it is satisfied about certain particulars it will require to be appended to the SORP a ‘negative assurance statement’.

The Companies Act

The Companies Act 1985 regulates the constitution and conduct of practically all British corporations. Its provisions cover:

- company formation;
- company administration and procedure;
- allotment of shares and debentures;
- increases, maintenance and reduction of share capital;
- annual financial statements;
- audit of financial statements; and
- distribution of profits and assets.

The requirements for all companies, both private and public, to prepare annual financial statements giving a true and fair view, to appoint auditors (the very smallest companies are exempt from audit) and to file such financial statements with the Registrar of Companies, come from the Companies Act. Holding companies of a certain size must file consolidated financial statements in addition to the individual company financial statements.

The Companies Act 1989 amended the Companies Act 1985 introducing into it a definition of "accounting standards" along with a requirement for companies over a certain size to disclose in financial statements whether or not they have been prepared in accordance with applicable accounting standards, and if not, particulars and reasons for any departure. Auditors are required by regulation and professional standards to have regard to all applicable accounting standards in reaching a 'true and fair' opinion.

STANDARD-SETTING IN FRANCE

In France, accounting standards are part of basic business law and consequently every business entity is required to comply with them when publishing its accounts. There are a number of different sources of law, which are hierarchically structured as follows:

- European Directives.
- Code de Commerce (including general accounting obligations for all commercial entities and general rules for consolidated accounts).
- Regulatory texts such as decrees and regulations (regulations are now issued by the CRC – see below).

- Jurisprudence.
- Guidance, interpretations and recommendations (issued by CNCC and OEC for all companies, and by the COB for listed companies).

Note that the French Code de Commerce (first issued in 1807) was obsolete and incomplete because it had not been updated regularly with new laws issued. It was completely and recently revised and recodified (in September 2000) and now includes fundamental texts such as the French law of 24 July 1966 applicable to commercial entities.

Implementation of EU Directives in France

	Statutory Accounts	Consolidated accounts
European directives	Fourth directive	Seventh directive
French Code de Commerce		
■ Articles L123-12 to L123-24	■	
■ Articles L233-16 to L233-28		■
Application decrees		
■ Application Decree of 29 November 1983	■	
■ Articles D248 to D248-14 of the Decree of 23 March 1967		■
French *Plan Comptable Général* (revised in April 1999) (CRC Regulation n°99-03)	■	
New methodology relating to consolidated accounts issued in April 1999 (CRC Regulation n°99-02)		■

Recent changes

In April 1998, an official accounting body was created, the *Comité de la Réglementation Comptable* (CRC) which is responsible for approving new accounting standards. This body was created to address the following issues:

- French accounting standards were often general and could be interpreted in several ways. The CRC's standards are designed to be more specific and therefore make the financial statements more transparent.

- French accounting standards had previously been set by several sources. The creation of the CRC was designed to provide more consistency to the standard-setting process.

Accounting standards are proposed by the *Conseil National de la Comptabilité* (CNC), and reviewed by the CRC before issuance. In addition, the *Comité d'Urgence du CNC* (urgent issues committee), comprised of a limited number of CNC members, issues interpretation of and guidance on existing standards.

The first standards have covered consolidation rules, accounting changes, construction contracts and accounting for liabilities and provisions.

Article 233-24 of the French Code de Commerce stipulates that the companies listed on the French stock exchange may prepare financial statements using International Accounting Standards (IAS). However, the CRC has not yet endorsed the requirements for adopting this option, meaning that French companies still have to produce their primary financial statements under French GAAP. The proposal by the EU Commission to require the use of IAS by all European listed companies (see below) will clearly speed up the process towards IAS implementation.

TRANSITION TO IAS

In June 2000, the European Commission proposed a regulation that would require all EU companies listed on a regulated market, including banks and insurance companies, to prepare consolidated accounts in accordance with IAS by 2005, at the latest. In addition, member states could decide that IAS could or should also be used in statutory accounts and by unlisted companies.

Before the end of 2001, the European Commission will finalise a proposal aimed at modernising the Accounting Directives and reducing discrepancies between them and IAS.

As a result of these fundamental developments we expect that in the next few years convergence of the accounting requirements in France and the UK will be accelerated.

Business Entities

UNITED KINGDOM

There are several different types of business entity in the United Kingdom, the most common forms other than sole trader being:

Public limited company, plc

This is a limited company in which shares may be offered to the public. The minimum number of shareholders required is two and the minimum share capital is £50,000. The allotted share capital must be 25% paid up as to nominal value and 100% paid up as to any share premium. The company name must end with the words "Public Limited Company" or an abbreviation thereof.

A public limited company must have at least two directors.

An annual shareholders' meeting must be held to approve the financial statements, to reappoint auditors and deal with any other matters.

FRANCE

There are many different types of business entity. The most common forms of entity are:

Société anonyme, SA

This is a limited company with a minimum of seven shareholders. The minimum share capital of a private SA is FF 250,000 (€37,000 as from 1 January 2002). If the company is listed, the minimum share capital required is FF 1,500,000 (€225,000 as from 1 January 2002).

A SA may choose between two different systems of management:

- a single executive board, *conseil d'administration*, headed by a chairman, who usually also acts as chief executive of the SA. A recently enacted French law will result in separation of the roles of chairman and chief executive in the near future: and

- a two-tier system comprising an executive committee, *directoire*, and an independent supervisory board, *conseil de surveillance*, which oversees the activities of the executive committee.

An annual shareholders' meeting must be held to approve the financial statements and the amount of dividends to be distributed and to deal with other routine matters.

Private limited company, Ltd

This is a limited company, the shares of which may not be offered to the public. There is no minimum level of share capital. Private companies need only have one member.

A private company may have only one director if desired.

Société par actions simplifliées, SAS

This business entity was introduced to facilitate the setting up and management of companies. This form of entity is primarily used by large groups and in business combinations. It is a limited liability company which may be created with only one shareholder. The minimum required share capital is FF 1 500 000 (€225,000 as from 1 January 2002) of which only half needs to be called up immediately. Only one board member needs to be appointed. The organisation of the company and relationship of shareholders are defined in its statutes.

Société à responsabilité limitée, SARL

This is a company constituted by shareholders who theoretically have limited liability for the debts of the company. The minimum share capital required is FF 50,000 (€7,500 as from 1 January 2002) and a SARL cannot engage in activities such as banking, insurance, other financial services, or air transportation. As for an SA, an annual shareholders' meeting must be held. A similar type of entity, *entreprise unipersonnelle à responsabilité limitée*, EURL, may have only one shareholder.

Société en commandite par actions, SCA

This is a corporation with two types of shareholders:

- *Commandités*, with joint and unlimited liability for the debts
- *Commanditaires*, with limited liability for the debts

The minimum capital is as for the SA. This type of corporation requires at least one commandité and three commanditaires. This kind of entity is used in practice to limit access of third parties to the control of the company, as shares held by the *commandités* may be disposed of only with the agreement of all other *commandités* and generally of all the *commanditaires* too.

Partnerships

Partnerships are generally used by professional practices such as architects, solicitors, accountants, surveyors etc.

Partners are required to have unlimited joint and several liability for the debts of the partnership. There is no minimum capital requirement.

From 2001, it will be possible to form a limited liability partnership (LLP).

Société en nom collectif, SNC

This is a partnership. Partners in an SNC have unlimited liability for the debts of the partnership. There is no minimum capital requirement.

Société civile, SC

SC is a partnership which is primarily used for specific types of businesses such as architects, lawyers, doctors, surveyors, farmers etc.

Comparison of Financial Statements Format

UNITED KINGDOM

Schedule 4 of the Companies Act specifies permitted financial statement formats for the balance sheet and profit and loss account. Formats for other primary statements are contained in the relevant accounting standards. FRS 1 (revised 1996) discusses the cash flow statement and FRS 3 discusses the statement of total recognised gains and losses.

The accounts are required to be presented with comparative figures.

The overriding requirement of financial statements is that they should show a "true and fair view."

FRANCE

Article L123-12 of the *Code de Commerce* defines the contents of the financial statements which include the balance sheet (*bilan*), the profit and loss account *(compte de résultat)*, and the notes *(annexe)*. They are required to be presented with comparative figures.

The Plan Comptable Général provides companies with obligatory definitions and accounting principles. This statement defines a chart of numbered accounts, which gives the format of the general ledger and the accounts. The requirements of the PCG generally apply to the consolidated accounts as well as the individual company's (statutory) accounts unless there are specific regulations applying to consolidated accounts.

As in the UK, financial statements in France must present a true and fair view *(image fidèle)*.

All financial statements are required by the Companies Act to be accompanied by a directors' report which must include certain specified disclosures. (1985 CA s234 and Sch 7)	As for UK GAAP.
Many large companies also accompany their accounts with a general review of performance in the year.	As for UK GAAP.
Some additional disclosures may be required for listed companies by the Financial Services Authority.	The COB requires some additional disclosures by listed companies.

Balance sheet	**Bilan**
The Companies Act 1985 permits two formats: ■ a "vertical" format with current liabilities deducted from current assets to show net current assets or liabilities. This is the most commonly used format. See Appendix A.I for example; and ■ a "two-sided" balance sheet showing total assets to the left or top of the page and total capital, reserves and liabilities to the right or bottom of the page.	*Consolidated accounts* A "two-sided" balance-sheet is the required format. Liabilities are not split between current and long-term amounts as they are under the UK format. The format of the consolidated balance sheet as shown in Appendix A.I illustrates the minimum information that has to be given. *Statutory accounts* A "two-sided" balance sheet is also a required format. Liabilities are not split between current and long-term. The format of the statutory balance sheet presented in Appendix A.I is taken from the tax form which is commonly used by most companies.
Assets and liabilities are presented in reverse order of liquidity.	As in the UK, assets and liabilities are presented in reverse order of liquidity.

FRS 4 requires additional information to be disclosed. The face of the balance sheet should show shareholders' funds and minority interests in subsidiaries analysed between equity and non-equity interests. Similarly, liabilities must be analysed between convertible and non-convertible obligations.

French GAAP does not have a similar requirement.

Profit and loss account

Four formats are permitted by the Companies Act 1985:

- two "vertical" formats, one categorising expenditure ("by destination") as cost of sales, distribution costs and administrative expenses and showing gross profit; and the other showing more detail, for example change in stocks, own work capitalised, raw materials, other external charges, staff costs ("by nature"). The former is the most commonly used (see Appendix A.II); and
- two "horizontal" formats showing expenses on one side and income on the other; these formats are rarely used by commercial entities.

Compte de résultat

Consolidated accounts

CRC Regulation n°99-02 allows companies to present their consolidated profit and loss account with items of income/expenditure classified by their nature or function/destination within the enterprise (see Appendix A.II). The preferred format is vertical.

Statutory accounts

The only format permitted analyses expenditure by nature. The *compte de résultat* can either be presented vertically or horizontally. The vertical format used in the tax return is also the one that is most often used in the statutory financial statements (see Appendix A.II).

FRS 3 requires additional information to be disclosed on the face of the profit and loss account. Specifically, turnover and operating profit must be analysed between continuing operations, acquisitions and discontinued operations.

In France, there is no requirement to disclose separately on the face of the profit and loss account continuing operations, acquisitions and discontinued operations.

The disclosures required for comparative purposes in cases of acquisitions or discontinued activities are discussed in Section 16.

Reconciliation of movements in shareholders' funds

The Companies Act 1985 requires movements in share capital to be shown in the notes to the accounts. Movements on reserves for the current period may be shown either as a separate statement or in a note to the accounts. FRS 3 requires a note reconciling total opening and closing shareholders' funds for the period. This reconciliation may be combined with the note or statement showing movements on reserves.

Tableau de variation des capitaux propres

Consolidated accounts

A separate statement is required to be included in the notes showing opening and closing balances of shareholders' equity and movements during the period.
[Règ n°99-02]

Statutory accounts

The *Plan Comptable Général* requires inclusion of a separate statement in the notes to the accounts showing opening and closing balances of shareholders' equity and movements during the period, if significant. No specific format is prescribed.

Statement of total recognised gains and losses (STRGL)

FRS 3 requires companies to include a statement of total recognised gains and losses. This is a primary statement with the following components:

- profit or loss before the deduction of dividends;
- adjustments to asset valuations; and
- differences in the net investment in foreign enterprises due to changes in foreign currency exchange rates.

There is at present no requirement for such a primary statement under French GAAP.

Contributions from or distributions to shareholders are excluded from the statement. These include:

- the proceeds of a share issue;
- redemption or purchase of own shares;
- dividends or distributions; and
- capital contributions.

Cash flow statement

FRS 1 (revised 1996) requires the presentation of a cash flow statement for all entities except:

- companies and other unincorporated bodies which meet the "small company" limits as defined by the CA 1985;
- subsidiary undertakings where 90% or more of the voting rights are controlled within the group, provided that the consolidated financial statements in which the subsidiary undertakings are included are publicly available;
- pension funds;
- building societies; and
- mutual life assurance companies.

Cash for purposes of the cash flow statement is defined as cash in hand and deposits repayable on demand with any qualifying financial institution, less overdrafts from any qualifying financial institution repayable on demand.

Tableau des flux de trésorerie

Consolidated accounts

The French requirements in respect of the statement of cash flows were influenced by the international standard, IAS 7 (revised). Presentation of a cash flow statement is required for all companies preparing consolidated financial statements.

According to CRC Regulation n°99-02, enterprises should present a cash flow statement that shows a reconciliation of the changes in the balance of cash and cash equivalents for the period, reporting separately on major classes of gross cash receipts and gross cash payments arising from:

- operating activities;
- investing activities; and
- financing activities.

CRC Regulation n°99-02 requires that for the purposes of the cash flow statement, short-term highly liquid investments readily convertible into

Cash includes cash in hand and deposits denominated in foreign currencies.

Cash flows are classified under the following headings:

- operating activities;
- dividends from joint ventures and associates;
- returns on investments and servicing of finance;
- taxation;
- capital expenditure and financing and investment;
- acquisitions and disposals;
- equity dividends paid;
- management of liquid resources; and
- financing.

a known amount of liquid assets and having a value that is unlikely to change significantly are to be considered as cash equivalents.

The aggregate cash flows arising from acquisitions and from disposals of subsidiaries are disclosed as a separate item under financing activities, and include the amount of cash and cash equivalents in the subsidiary acquired or disposed of.

The indirect method is required, although the information given by the direct method may be added. A reconciliation of operating profit to net cash flow from operating activities is shown as a note to the statement.
[FRS 1]

See Appendix A.III for example.

An entreprise may report cash flows using either:

- the direct method; or
- the indirect method.

The latter is the most commonly used in practice. Two examples of formats are given for the indirect method, both showing a reconciliation of profit to net cash flows on the face of the cash flow statement:

- a format based on net profit or loss for the period; and
- a format based on operating profit for the period.

[Règ n°99-02]

See Appendix A.III for example of a cash flow statement (*tableau des flux de trésorerie*) prepared using the indirect method.

A statement reconciling the movement of cash in the period with the movement in net debt is required. Such a statement should not form part of the cash flow statement, but it may be given adjoining the cash flow statement; alternatively, it may be shown as a note to the financial statements.

Cash flows of foreign subsidiaries or branches are translated using the average rate for the period or the closing rate, whichever is used for the profit and loss account. Foreign cash flows of the entity are normally translated at the current exchange rate at the time of the cash flow.

Foreign currency cash flows are translated using current exchange rates at the time of the cash flows (or the average exchange rate for the period).

The effect of fluctuations in currency rates on cash and cash equivalents is shown at the end of the statement.

The effect of exchange rate changes on cash held in foreign currencies is included in reconciliation of net debt.

Material non-cash transactions are disclosed in the notes where such disclosure is necessary to understand the underlying transactions.

There is no specific requirement to disclose material non-cash transactions.

Statutory accounts

For large companies, a cash flow statement is required to be prepared and presented to the Board of directors and employee representatives, although it is not required to be published with the accounts.

Additionally, these companies are required to prepare forecast cash flows for the next financial year.

The PCG provides examples of cash flow statements that analyse the net change in working capital for the period split into operating items, non operating items and cash.

[*PCG* art 532-9]

Primary Differences in Accounting Policies

1. CONSOLIDATION

UNITED KINGDOM

GENERAL REQUIREMENTS

Consolidated accounts are mandatory for all parent companies unless one of the following three exemptions applies:

- the UK parent claiming the exemption does not have any securities listed on an EU stock exchange, and the investing company is a wholly owned or majority owned subsidiary of a parent incorporated in an EU member state, which prepares audited consolidated financial statements in English complying with law based on the EU Seventh Directive, and the minority shareholders holding more than half the remaining shares or 5% of the total shares have not requested group accounts;

[FRS 2, 1985 CA Sec. 228]

FRANCE

The publication of consolidated accounts is mandatory unless one of the following two exemptions applies:

- EU parent condition similar to that in the UK, except that the threshold of minority interests able to require preparation of consolidated accounts is 10% of the total shareholdings;

- the company and the group headed by it qualifies as a small or medium sized and the group is not ineligible.

  In order to qualify as small or medium, two out of three of the conditions below must apply:

Criteria	**Small Group**	**Medium Sized Group**
Aggregate turnover	£2,800,000 net or £3,360,000 gross	£1,120,000 net or £13,440,000 gross
Balance sheet total	£1,400,000 net or £1,680,000 gross	£5,600,000 net or £6,720,000 gross
Average employees	50	250

  Note: For these purposes "net" means after elimination of intra group items and "gross" before elimination. The qualification may be satisfied by either definition.

  A group is ineligible if any of its members is:

  – a public limited company;

  – a banking institution;

  – an insurance company; or

  – an authorised person under the Financial Services Act 1986;

- where all of the subsidiaries individually are excluded from consolidation (see subsidiary undertakings below).

- the French parent company is the head of a group qualifying as a small group, i.e. when two of the following criteria have applied during the last two consecutive periods:

  – total assets less than FF100 million (€15m as from 1 January 2002);

  – turnover less than FF200 million (€30m as from 1 January 2002);

  – average number of employees less than 500.

  Note: the thresholds are before elimination of intra-group items.

[Code de Commerce, Art. L233-17; Decree of 23 March 1967, Art. D248-13 and D248-14]

Where consolidated accounts are not prepared, the investments in subsidiaries and associated undertakings are usually valued at cost less any accumulated impairment losses recognised in accordance with FRS 11.

When consolidated accounts are not prepared, the investments are valued at cost less provisions for permanent diminution in value.

CONSOLIDATION ADJUSTMENTS

Consolidated financial statements must be drawn up using consistent accounting policies and principles.

Similar to UK GAAP, consolidated financial statements must be drawn up using consistent accounting policies and principles.

Accounting for business combinations is considered in Section 3. Consolidation adjustments normally include:

- amortisation of goodwill or negative goodwill;
- elimination of intra-group balances, transactions and resulting unrealised profit;
- elimination of intra-group dividends; and
- elimination of minority interests in the net assets and the net income of consolidated subsidiaries for the reporting period. Appropriate shares of losses continue to be allocated to minority interests in a subsidiary even if they result in a net deficit attributable to the minority interest unless the parent has any additional financial obligations in respect of the minority share of the subsidiary's liabilities.

Normally, consolidation adjustments include:

- amortisation of goodwill or negative goodwill;
- elimination of intra-group balances, transactions and resulting unrealised profit;
- elimination of intra-group dividends; and
- elimination of minority interests in the net assets and the net income of consolidated subsidiaries for the reporting period. When the share of minority interests in net assets of the subsidiary is reduced to zero, further losses are attributed to the group only, unless minority shareholders have formal financial obligations to support the subsidiary.

UK accounting is not tax driven and the principles applied in preparation of consolidated accounts are the same as for individual entity's accounts.

In addition to the above consolidation adjustments, French GAAP for consolidated financial statements requires restatement of the majority of the tax driven entries made in an entity's statutory accounts. These restatements include:

- elimination of the accelerated depreciation charge where the straight-line method better reflects the economic depreciation of the asset (*provision pour amortissement dérogatoire*; see Section 11);
- elimination of other tax driven provisions (*provisions réglementées*; see Section 11);
- reclassification of capital government grants (*subventions d'investissement*; see Section 6); and
- recognition of deferred tax (recognition of deferred tax is not required in the individual company accounts but mandatory in the consolidated accounts; see Section 11 for further discussion).

In addition to the above mandatory consolidation adjustments, the recently issued methodology encourages use of specific accounting policies for certain items in the consolidated financial statements. Adoption of these policies often results in additional adjustments being made in consolidated financial statements.

Once adopted, these policies cannot be changed. If an enterprise chooses not to adopt these policies, equivalent information must be presented in the notes.
[Règ n°99-02]

These policies are:

Accounting for post-retirement benefits in the UK is discussed in Section 10 of this book.

- recognition of provisions for post-retirement benefits. This is also the preferred method in the statutory accounts (see Section 10);

Finance leases are required to be capitalised by the lessees (see Section 20).

- capitalisation of finance leases by the lessees (not permitted in statutory accounts) (see Section 20);

Debt issue costs are included in the carrying amount of debt and recognised in the profit and loss account over the term of the debt (see Section 9).

- recognition of debt issue costs in the profit and loss account over the term of the loan (when these costs have been charged to the profit and loss immediately in the statutory accounts) (see Section 9);

See Section 19.

- recognition of unrealised exchange gains and losses as income and expenses (recognition of unrealised exchange gains is not permitted in the statutory accounts) (see Section 19); and

In the UK, the percentage of completion method is the only permitted method of accounting for long-term contracts (see Section 8).

- the use of the percentage of completion method in accounting for long-term contracts (also the preferred method in the statutory accounts) (see Section 8).

SUBSIDIARY UNDERTAKINGS

The legal definition of a subsidiary undertaking requiring consolidation includes undertakings (corporations, partnerships and unincorporated associations) in which the parent (directly and with its subsidiaries' holdings):

- holds a majority of its voting rights; or
- is a member and has the right to appoint or remove directors holding a majority of the votes at a meeting of the board of directors; or
- is a member and controls alone, pursuant to an agreement with other shareholders or members, a majority of its voting rights; or
- has the right to exercise a dominant influence by virtue of its constitution or a control contract; or
- has a participating interest (generally a holding of 20% or more, including convertible securities and options) and actually exercises a dominant influence or manages the undertaking on a unified basis with its own operations.

[CA 1985 Sec. 258]

CONTROLLED ENTITIES

An enterprise is required to consolidate all entities that it controls. Control may be exercised through legal structure or based on de facto circumstances. Control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefit from its activities.

Control exists where an investor:

- holds, directly or indirectly, a majority of the voting rights;
- has appointed for two consecutive financial periods the majority of the board of directors. (It is presumed to be the case where the investor holds more than 40% of the voting rights of the investee, and no other entity holds a stake of a comparable or larger size); or
- has the right to exercise a dominant influence by virtue of the investee's articles of association or a control contract.

[Règ n°99-02]

EXCLUSION FROM CONSOLIDATION

A subsidiary undertaking is not consolidated where:

- severe long term restrictions exist that prevent the parent from exercising control over its assets and management; or
- it is held exclusively with a view to resale and has not been previously included in consolidation.

[FRS 2 and CA 1985 Sec. 229]

Exclusion from consolidation (this also applies to joint-ventures and associates) is required where severe long-term restrictions prevent control of the subsidiary or transfer of cash to the parent company. It is also permitted for an investment held exclusively with a view to resale.

Immaterial subsidiaries need not be consolidated – two or more may be excluded only if they are not material taken together.

As in the UK.
[Règ n°99-02, Code de Commerce, Art. L233-19]

Exclusion from consolidation is not allowed on the grounds of dissimilar activities, although companies legislation retains a formal requirement not to consolidate subsidiaries with dissimilar activities, FRS 2 adds that ‘it is exceptional for these circumstances to arise’ with the result that, in practice, this exception is never used.
[CA 1985 Sec. 229(4), FRS 2]

All controlled entities should be fully consolidated, even in the case of dissimilar activities as, for instance, in a case of a banking or an insurance subsidiary of an industrial company.
[Règ n°99-02]

Where a subsidiary undertaking is excluded from consolidation, the reason for exclusion and, subject to certain exceptions, the aggregate amount of the capital and reserves and profit or loss for the year of the excluded subsidiary are required to be disclosed.
[CA 1985 Sch. 5]

If a subsidiary is excluded from consolidation, the reason and criteria used must be disclosed.
[Règ n°99-02, Code de Commerce, Art. L233-19]

QUASI SUBSIDIARIES AND SPECIAL PURPOSE ENTITIES

A directly or indirectly controlled company, trust, partnership or other vehicle that does not fall under the legal definition of a subsidiary undertaking is required to be consolidated if it gives rise to benefits as if it were a subsidiary. These are referred to as quasi-subsidiaries.
[FRS 5]

A special purpose entity (SPE, *entité ad hoc*) should be consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by the reporting enterprise, and if at least one share is held by the controlling enterprise.

When a company does not hold shares of a controlled SPE, the amount of assets, liabilities and results of the SPE should be disclosed in the notes, although the level of detail to be disclosed is not specified.
[Règ n°99-02]

2. ASSOCIATES AND JOINT VENTURES

ASSOCIATED UNDERTAKINGS AND SIGNIFICANT INFLUENCE

UNITED KINGDOM	FRANCE
An associate is an investment over which the investor exercises significant influence, which is presumed when an investor owns between 20 per cent and 50 per cent of the voting rights of the investee. This, however, is a rebuttable presumption: if the investor does not actively exercise its significant influence in its investee's affairs, the investment may not qualify as an associate.	Significant influence is defined as the power to participate in the financial and operating policy decisions of an enterprise which however does not give rise to control over those policies. Significant influence is presumed to exist in cases where a company holds directly or indirectly 20% or more of the voting power of an enterprise.
An interest that is held exclusively with a view to subsequent resale is not accounted for as investment in an associate.	
The equity method is the required method of accounting for associated companies in the consolidated financial statements.	In consolidated financial statements, enterprises over which a company exercises a significant influence are accounted for using the equity method.
An investor continues to account for an investment in an associate when the associate has nil or negative net assets unless there is sufficient evidence that an event has irrevocably changed the relationship between the investor and the associate. Once an investment ceases to be accounted for as an associate under the equity method, it may not be accounted for as an associate again in the future. [FRS 9]	If an associate has negative net assets, the value of the investment included using the equity method cannot be less than zero unless the investor has financial obligations to the investee. In such circumstances investor's share of the net liabilities of the associate is accounted for as a provision for liabilities and charges. [Règ n°99-02]

In the investing company's individual financial statements, investments in associates are valued at either cost, less amounts written off, or at valuation. Where an investor does not prepare consolidated accounts (e.g. because it has no subsidiaries), it provides equity based information either in a separate set of financial statements, or as additional information to its own financial statements.

In the consolidated profit and loss account (from operating profit downwards) and the statement of total recognised gains and losses, the share of associates' items is separately disclosed.
[FRS 9]

As in the UK, in the investing company's individual financial statements, investments in associates are generally valued at cost less amounts written off. If the investor does not have any subsidiaries but has associated undertakings, it is required to prepare a separate set of accounts complying with the requirements for consolidated accounts.

In the consolidated profit and loss account only the share of the net result of associates is disclosed.

JOINT VENTURES

FRS 9 describes two forms of arrangement which involve joint control but which result in fundamentally different accounting treatments:

- joint venture – a jointly controlled entity (entity meaning a venture with a trade or business of its own, which may or may not be a legal entity); and
- joint arrangement that is not an entity (JANE) – a jointly controlled asset, operation, or legal entity which amounts to an extension of the investor's own trade.

Joint control in respect of an entity exists where the following conditions are met:

- the entity has a limited number of partners which together are able to exercise a majority of the votes;
- there is a contractual agreement between the partners; and
- the entity's operating and financial policy decisions cannot be taken without the common agreement of the partners.

A joint venture is an entity in which the reporting entity holds an interest on a long-term basis and is jointly controlled (no one entity can alone control but all together can do so) by the reporting entity and one or more other venturers under a contractual arrangement.

In an investor's consolidated accounts, joint ventures are accounted for on the gross equity method, which is similar to the equity method (or net equity method) but requires additional information to be shown on the face of the financial statements:

- the investor's share of turnover in the joint venture on the face of the profit and loss account, separately from group turnover; and
- the share of gross assets and liabilities of the joint venture on the face of the balance sheet.

Proportional consolidation is required for all undertakings jointly controlled with another company. [Règ n°99-02]

In the investing company's individual financial statements, the requirements are similar to those in respect of the associates (see above). [FRS 9]

In the investing company's individual financial statements, the requirements are similar to those in respect of the associates (see above).

The requirement for a JANE is that each participant should account for its own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement. Each participant accounts for its share of those items that are not wholly attributable to any one participant. This treatment has an effect which is similar to, but not necessarily identical to, proportional consolidation.
[FRS 9]

French GAAP does not have specific guidance in respect of such arrangements.

3. ACCOUNTING FOR BUSINESS COMBINATIONS

UNITED KINGDOM

Acquisition accounting is the generally required method in business combinations. The use of merger accounting for business combinations in the UK is restricted to 'true mergers', defined below.

In the individual accounts of the acquired entity, assets and liabilities normally continue to be recorded at the carrying values before the acquisition.

FRANCE

A common method of business combination in France is to merge one entity into another or to contribute assets of one entity to another company. The consideration for the fair value of the assets and liabilities transferred is settled by issuing shares in the absorbing company. At the date of the business combination, the respective values of the two companies involved are determined to calculate the ratio to be used for the share exchange. This ratio, and the value of assets contributed, is certified by an independent accountant appointed by the *Tribunal de Commerce*.

In the statutory accounts of the acquiror, the contributed assets are recorded either at the net book value they had in the accounts of the acquiree, or at fair value, depending on the terms of the merger agreement. This decision will often be influenced by tax considerations.

ACQUISITION (PURCHASE) ACCOUNTING

France: Acquisitions are accounted for in consolidated accounts using the purchase method. For business combinations which are legal mergers or contribution of assets, the purchase method must generally be used, but if certain conditions are met (see below) there is an option allowing the use of a 'pooling' method.

Under the acquisition accounting rules, UK GAAP requires the *identifiable* assets and liabilities of the acquired entity to be included in the consolidated financial statements of the acquirer at their fair values at the date of acquisition. The difference between these and the cost of acquisition is recognised as goodwill or negative goodwill (see Section 4).

As in the UK, under the purchase method of accounting the acquirer recognises in the consolidated balance sheet the fair value of identifiable assets and liabilities of the acquiree and any goodwill arising (equal to the difference between the cost of acquisition and the acquiror's interest in the fair value of identified assets and liabilities acquired).

The results of the acquired entity are included in the profit and loss account of the acquiring group from the date of acquisition.

As in the UK, the results of the acquired entity are included in the consolidated profit and loss account from the date of acquisition.

Minority interests are recorded at fair value.
[FRS 7]

Generally, minority interests are required to be recorded at fair value. However, enterprises which had a policy of recording minority interests at pre-acquisition book value may continue to do so.
[Règ n°99-02]

COST OF ACQUISITION

The cost of an acquisition is measured at the fair value of the purchase consideration and includes expenses incurred directly in making the acquisition. Issue costs of shares or other securities used to finance the acquisition are accounted for as a reduction in the proceeds of a capital instrument and do not form part of the cost of acquisition (see Sections 9 and 13 for accounting for issue costs).
[FRS 7]

The cost of an acquisition is measured by the reference to amount of cash and cash equivalents paid and the fair value of shares and any other assets transferred as purchase consideration, plus any expenses directly attributable to the acquisition net of taxation.

UK GAAP does not allow inclusion in the cost of acquisition of redundancy expenses as a result of the acquiring entity's actions.	Expenses considered to be part of the cost of acquisition may include costs of redundancy payments (net of taxation) resulting from a restructuring programme to reduce redundant capacity of the acquiring entity caused by the acquisition.
When settlement of cash consideration is deferred, the fair value of consideration is obtained by discounting to present value.	There is a similar requirement in respect of deferred consideration.
FRS 7 requires the cost of acquisition to include a reasonable estimate of the fair value of any amount of contingent consideration expected to be payable in the future. These estimates should be reviewed and adjusted, if necessary, at each balance sheet date subsequent to acquisition, with consequential corresponding adjustments to goodwill. [FRS 7]	There is a similar requirement in respect of contingent cash consideration. [Règ n°99-02]
Where deferred or contingent consideration is to be satisfied by the issue of shares, there is no obligation to transfer economic benefits, and therefore, amounts recognised are reported in the balance sheet as part of shareholders' funds as a separate caption representing shares to be issued. [FRS 7]	There is no specific guidance in France.

RECOGNITION AND MEASUREMENT OF ASSETS AND LIABILITIES ACQUIRED

The cost of an acquired enterprise is allocated to its assets and liabilities based on their fair values that reflect the conditions at the date of acquisition. FRS 7 'Fair values in acquisition accounting' provides rules and guidance on assigning fair values to specific types of assets and liabilities.

Specifically:

- monetary assets and liabilities should take into account the timing of amounts expected to be received or paid. Where a market value exists this would be used. Where there is no market value, the amount will be determined by looking at an

As in the UK, fair values assigned to identifiable assets and liabilities of an acquired enterprise should reflect conditions at the date of acquisition. Identifiable assets and liabilities are valued by the reference to their expected use by the acquirer. For the purpose of establishing their values the assets are classified into two categories:

- assets to be used for operating purposes; and
- assets not to be used for operating purposes.

Assets to be used for operating purposes are to be valued at their value in use, which in most cases corresponds to the replacement value. An asset which is not to be used for operating purposes is valued at its market value, or in the absence of a market, at its likely net realisable value.

CRC Regulation n°99-02 provides rules and guidance on assigning fair values to specific types of assets and liabilities.

Specifically:

- similar to UK GAAP, Règ n°99-02 requires that on acquisition fair values of amounts receivable or payable should take account of the timing of receipt or payment by a discounting method based on market interest rate;

equivalent item or by discounting. The unwinding of any discount is treated as interest;

- on consolidation the deferred tax balance of the acquired company is determined on the basis of the new group, i.e. revised where the new group structure changes the amount of tax liabilities or assets expected to crystallise in the future. An additional provision for deferred taxation is made for the difference between the fair value assigned to assets and their book values only to the extent that there was a commitment to sell the assets before the acquisition; [FRS 7, FRS 19]

- French GAAP does not have specific guidance on this matter; the deferred tax balance is determined in accordance with the general rules discussed in Section 11;

- tax benefits of losses carried forward by an acquired enterprise not recognised at the acquisition date are recognised in the profit and loss account when they give rise to a benefit; [FRS 7]

- similar to UK GAAP;

- an intangible asset which can be sold separately from the underlying business acquired is valued separately. If, however, an asset can be disposed of only as part of the revenue-earning activity to which it contributes, it is regarded as indistinguishable from the goodwill relating to that activity and is accounted for as goodwill; [FRS 10]

- an intangible asset is recognised separately if it is capable of being separately valued on a continuous basis according to objective and relevant criteria. The fair value of an intangible asset is its market value, where an active market exists for similar assets. In the absence of an active market, the value in use is determined by reference to industry practice;

- an asset held under a finance lease is always capitalised and shown separately from the obligation for minimum lease payments (see Section 20); and
- where a business is acquired which sponsors a defined benefit pension plan, fair values are attributed to an asset in respect of an actuarial surplus expected to be realised in cash terms, or by a reduction in future contributions, and a liability in respect of a deficit. Changes in benefits accruing to the members of acquired schemes, whether negotiated as a condition of the acquisition or not, are accounted for as a post-acquisition item.

Liabilities and provisions may only be recognised for obligations of the acquired company existing at the date of acquisition. In particular the following items are treated as post-acquisition expenditure:

- changes resulting from the acquirer's intentions or future actions; and

- a tangible fixed asset held under a finance lease is either capitalised or not, depending on the policy of the acquiring company (see Section 20). If it is not capitalised, the difference between the fair value of such an asset at the date of acquisition and the present value of the remaining lease payments and any repurchase option is shown as an intangible asset or as a liability; and
- post employment benefits and other similar benefits must be accounted for in the restated balance sheet of the acquired company at the date of acquisition, even if the acquiring company does not usually account for such obligations in its consolidated accounts (see Section 10).

Similarly to UK GAAP, as a general rule, liabilities and provisions should reflect conditions at the date of acquisition. Provisions for future operating losses, with the exception of losses on onerous contracts, are not allowed. However, a restructuring provision may be recognised if the following two conditions are met:

- provisions or accruals for future operating losses or for reorganisation and integration costs (including closing duplicate facilities) expected to be incurred as a result of the acquisition, whether they are related to the acquired entity or the acquirer.

However, provision is required to be made for onerous contracts or commitments of the acquired entity existing at the date of acquisition.

- the restructuring programme identifies and estimates costs involved in sufficient detail; and
- the programme and its consequences are publicly announced by the end of the first financial year following the year of acquisition.

As discussed under Cost of Acquisition above, redundancy expenses of the parent entity resulting from the acquisition may be included in the cost of acquisition.

In any case, restructuring provisions accounted for on acquisition which are subsequently not required must be released to the profit and loss account, and offset by an equal and opposite amount of exceptional goodwill amortisation.

See also Section 12 for further discussion of restructuring provisions.

The fair value assigned to assets and liabilities acquired may be amended with a corresponding adjustment to goodwill until the end of the first year after the date of acquisition. Any subsequent adjustments are recognised in the profit and loss account.
[FRS 7]

Similarly to UK GAAP, the fair value assigned to assets and liabilities acquired together with the corresponding amount of goodwill and accumulated amortisation of goodwill may be amended until the end of the financial period beginning after the year of acquisition unless the change in value is caused by an unrelated event that occurred after the acquisition. Subsequent changes in value are reported in the profit and loss account.
[Règ n°99-02]

MERGER ACCOUNTING

FRS 6, effective for combinations first accounted for in years beginning on or after 23 December 1994, introduced more restrictive qualitative criteria than the old standard, SSAP 23, and requires merger accounting to be used in the rare situations of a 'true merger'. (The old SSAP 23 rules still apply to business combinations in earlier periods.)

The qualitative criteria which are intended to restrict merger accounting to true merger situations are:

- no party is portrayed as either acquirer or acquired;
- all parties participate in establishing the management structure for the combined entity;
- the relative sizes of the combining entities are not so disparate that one dominates by virtue of size;
- no more than an immaterial proportion of the consideration received is represented by non-equity consideration (including any consideration received for equity acquired in the two years prior to the combination); and
- no shareholder of the combined entity retains an interest in only part of the combined entity.

[FRS 6]

MÉTHODE DÉROGATOIRE

In the consolidated financial statements, the *méthode dérogatoire* was introduced by Règ n°99-02 (§215) and can only be used if the following four conditions are met:

- the parent has obtained at least 90% of the share capital of the other entity in a single transaction;
- consideration for the shares acquired represents shares issued by the parent company or one of its subsidiaries. The issue of new shares may be immediate or deferred, in which case there must be a firm commitment to issue shares within a period not exceeding five years;
- the proportion of the total consideration represented by non-equity elements cannot exceed 10% of the value of shares issued; and
- the substance of the transaction is not changed within a period of two years from the end of the period in which control is achieved.

CRC Regulation n°2000-07 partly revised and added more detailed guidance to paragraph 215 of Règ n°99-02. Detailed guidance on the application of criteria for the use of *méthode dérogatoire* is both lengthy and complex, and therefore is not reproduced here.

To use merger accounting, the quantitative criteria set out in the Companies Act also have to be met:

- as a result of the offer, the offeror has secured at least 90% of all equity shares; and
- the fair value of any consideration other than equity shares does not exceed 10% of the nominal (par) value of the equity shares issued.

Where both sets of criteria are met, FRS 6 requires merger accounting to be used.
[FRS 6]

Consequently, caution should be exercised when considering whether a business combination is elegible to use this 'pooling' method.

Currently, UK GAAP does not have specific guidance in respect of accounting for contributions of businesses in exchange for equity in subsidiaries, associates and joint ventures. However, the UITF has issued a draft Abstract on this during 2001.

The scope of the *méthode dérogatoire* was extended to contributions of businesses to jointly controlled entities which are more than 90% held by the venturers after the transaction.
[Règ CRC n°2000-07, Règ n°99-02 §2801]

There is a specific exemption from the above criteria for group reconstructions (transactions between entities under common control). These business combinations can be accounted for by using merger accounting provided that:

- the use of merger accounting is not prohibited by law (see below);
- the ultimate shareholders remain the same, and relative rights of each are unchanged; and

No specific guidance exists in this area.

- minority interests in the net assets of the group are not affected.

Under the merger method of accounting:

- existing assets and liabilities of the combining enterprises are aggregated;
- no fair value adjustments are made and no goodwill is recognised; and
- the difference between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired is adjusted against reserves.

As in the UK, under the *méthode dérogatoire* the cost of acquisition is replaced by the historical value of the net assets of the merged business, with the difference adjusted against reserves. The values of assets and liabilities are restated under the uniform accounting policies of the group. These values may be amended until the end of the financial year following the year of acquisition. Gains and losses on disposal of assets not to be used for operating purposes which are realised within two years from the date of acquiring control are recorded directly in reserves, to the extent that the potential gain existed at the date of acquisition.

Proforma accounts must be produced which include the result of merged company as if the transaction had occurred at the start of the financial year in which the merger occurred.
[Règ CRC n°2000-07]

4. GOODWILL

UNITED KINGDOM / FRANCE

TREATMENT

Under both UK and French GAAP, goodwill arising on a business combination accounted for as an acquisition (using the purchase method) is calculated as the difference between the cost of the entity acquired and the fair value of the net identifiable assets acquired. However, the amount of goodwill calculated under UK and French GAAP may differ because of the differences in requirements for calculating the cost of acquisition and its allocation to identifiable assets and liabilities acquired, discussed in Section 3. Internally generated goodwill is not capitalised under either UK GAAP or French GAAP.

United Kingdom

In FRS 10, the ASB outlawed the previously preferred treatment of eliminating the full amount of goodwill against reserves at the time of acquisition.

Goodwill must now be capitalised as an asset.
[FRS 10]

The useful economic life of goodwill is presumed to be 20 years or less. That presumption may be rebutted, with either a longer life or an indefinite life being substituted if the durability of the acquired business can be demonstrated and it justifies estimating the useful economic life to exceed 20 years and the goodwill is capable of continued measurement. If both conditions are met, the goodwill will either be amortised over a period greater than 20 years or remain unamortised.
[FRS 10]

France

Goodwill in consolidated accounts arising on acquisition of a company (*écart d'acquisition positif*) is required to be recognised as an asset and presented as a specific sub-heading within fixed assets. In exceptional circumstances, goodwill is allowed to be written off to reserves immediately where such treatment is necessary to give a true and fair view. However, it is generally anticipated that this exception will not be used in practice.
[*Code de Commerce* Art. L123-14; Règ n°99-02 (§ 212)]

Goodwill must be amortised on a reasonable basis which reflects the estimates and assumptions made and documented at the time of acquisition. No time limit is specified.
[Règ n°99-02]

If not deemed to have an indefinite life, goodwill is depreciated over its useful life using a straight line method unless another method is shown to be more appropriate.

In practice goodwill is normally amortised over a period not exceeding 40 years. However many enterprises use periods not exceeding 20 years as specified by IAS 22.

FRS 10 is effective for accounting periods ending on or after 23 December 1998.

Transitional provisions give several options:

- at one extreme, all goodwill which has been previously eliminated against reserves remains under the old regime, provided it is included as part of an existing reserve;
- at the other extreme, all 'old' goodwill may be capitalised, and become subject to the new rules, with any amortisation which would have been provided in earlier years being shown as prior year adjustment; and
- between these two extremes, there are two further options which allow recent goodwill to be capitalised but older goodwill to remain eliminated.

[FRS 10]

Upon disposal of a previously acquired business (either all or in part) where the attributable goodwill has been eliminated against reserves, the resulting gain or loss is determined by including the attributable amount of goodwill. [FRS 2 and FRS 10]

Similarly to UK GAAP, upon disposal or part disposal of a previously consolidated company, the attributable amount of goodwill is included in the determination of gain or loss on disposal. Where goodwill has been eliminated against reserves (as previously allowed), the amount included in the calculation of gain or loss on disposal is the carrying amount that it would have had had the goodwill been recognised as an asset and amortised. The accounting difference that results from the application of the pooling method is not included in the net profit or loss on disposal of a business.

The provisions of FRS 10 apply to both the goodwill arising in an individual entity when it acquires a business and the goodwill arising on consolidation when the group acquires a new company or an additional equity stake in a partly-owned company.
[FRS 10]

Goodwill (*fonds commercial)* arising in the individual financial statements of an enterprise on acquisition of a non-incorporated business is also required to be capitalised. It comprises intangible items (including leaseholds) which have not been measured and recognised individually – these items contribute to the maintenance or development of the business operations of the company.
[*PCG* art 442-20]

French law does not specify any requirement or recommendation for the amortisation of goodwill in individual companies' accounts.

Purchased goodwill which benefits from a legal protection need not be amortised, but may be carried at cost less any provision for permanent diminution in value.

As goodwill amortisation is not tax deductible, French enterprises rarely amortise goodwill in the statutory accounts. Non-amortisation of goodwill is seen as permitted by the CNCC and the COB.

NEGATIVE GOODWILL

Negative goodwill is initially recognised as a negative asset, being shown immediately below the goodwill heading and followed by a subtotal giving the net amount of positive and negative goodwill.

Negative goodwill up to the fair value of the non-monetary assets acquired is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. The method of recognition in the profit and loss account of the excess of negative goodwill over the fair value of non-monetary assets acquired is not prescribed as this is expected to occur extremely rarely.
[FRS 10]

In consolidated accounts, negative goodwill (*écart d'acquisition négatif*) is credited to a provision for liabilities and charges account. It can arise due to the expectation of future losses in the acquired company or in case of a bargain purchase. Negative goodwill is released to the profit and loss over an appropriate period using the assumptions made at the date of acquisition.

Although it is still allowed to credit negative goodwill directly to reserves in exceptional circumstances, this treatment is not expected to be used in practice.
[Règ n°99-02]

IMPAIRMENT REVIEWS

If goodwill is deemed to have an indefinite life, or one of more than 20 years, an impairment review is required at the end of each year. Otherwise an impairment review is only required at the end of the first full year following the acquisition or if there is a change of circumstances in future years indicating an impairment in value.

Any impairment loss is recognised in the profit and loss account.

Where an external event caused the recognition of an impairment loss in previous periods, and subsequent

There is a general rule that requires an impairment review to be carried out at the end of each year. If the carrying value of the asset exceeds its current value estimated by reference to its market value or value in use, an additional depreciation charge is required to be recognised in the profit and loss account in the period of review. French GAAP does not have detailed guidance on the procedures to be performed for impairment reviews.
[Code de Commerce, Art. L123-18 al. 2; *PCG* art 322-1]

external events clearly and demonstrably reverse the effects of that event in a way that was not foreseen in the original impairment calculations, any resulting reversal of the impairment loss is recognised in the profit and loss account.
[FRS 10]

See Section 6 for a discussion of the mechanics of an impairment review.

In consolidated accounts, an impairment loss in respect of goodwill is recognised as an exceptional amortisation charge which cannot be reversed.
[Règ n°99-02]

5. OTHER INTANGIBLE ASSETS

UNITED KINGDOM

On acquisition of a business, an intangible asset which can be sold separately from the underlying business is assigned a fair value and shown separately.

If, however, an asset can be disposed of only as part of the revenue-earning activity to which it contributes, it is regarded as indistinguishable from goodwill relating to that activity and is accounted for as goodwill.

An internally generated intangible asset can be capitalised, but only where it has a ready market value.

Similarly, if an intangible asset has ready market value it can be carried at a revalued amount.
[FRS 10]

FRANCE

Under the purchase method of accounting, the fair value of identifiable intangible assets of the purchased company such as brands may be recognised in consolidated accounts as separate assets from goodwill provided that they can be separately valued based on future cash flows, observable market values or other appropriate valuation methods on the date of acquisition and subsequently.

Internally generated brands or similar intangibles are rarely recognised as separate assets in practice.

Intangible assets may not be revalued.
[Code de Commerce, Art. L123-18 al.4, *PCG* art 350-1]

AMORTISATION AND IMPAIRMENT REVIEWS

United Kingdom

As for goodwill.
[FRS 11]

France

Amortisation of intangible assets which are similar in nature to goodwill (e.g. brands, customer lists, etc.) is not mandatory. However, a provision is required to be made for any permanent diminution in value (see above).

Patents are amortised over the shorter of the period of use and the duration of the patent.

RESEARCH AND DEVELOPMENT COSTS

Development costs related to defined projects may be deferred to future periods, provided that the outcome of the projects can be assessed with reasonable certainty as to their technical feasibility and commercial viability (i.e. future expenditure can be recovered from future revenue and adequate resources exist). Otherwise, development costs (except those which are reimbursable under contracts with third parties and those incurred in locating and exploiting mineral deposits) and all research costs are written off as incurred.
[SSAP 13]

Research and development costs are generally expensed as incurred. As an exception, the French accounting standards allow companies to capitalise costs of certain applied research and development projects. The conditions required are the same as in the UK. Capitalised development costs should be amortised over the period expected to benefit, subject generally to a maximum period of five years. If a company chooses to capitalise development costs, it should apply this policy on a consistent basis.

Unamortised applied research and development costs are deducted from retained earnings to calculate distributable earnings.
[*PCG* art 361-2, 361-3]

COMPUTER SOFTWARE

The definition included in FRS 10 of an intangible asset excludes certain assets that have sometimes been treated as intangibles in the past. For example, computer software developed or purchased for use within the business which is attached to tangible hardware is excluded from the scope of intangibles and treated instead as part of the tangible asset.
[FRS 10]

Purchased computer software is capitalised as an intangible asset at acquisition cost. Computer software developed internally can be capitalised at production cost if certain conditions very similar to those in respect of research and development expenditure are met. Both categories of software are depreciated over the estimated period of use. However, in the statutory accounts computer software may be depreciated over 12 months for tax purposes.
[*PCG* art 331-3]

START-UP COSTS

The ‘preliminary’ expenses of a company may not be capitalised. However, they may be written off against a company’s share premium account. These expenses normally include any legal fees and other expenses associated with the process of company registration. These expenses do not include operating losses in the first years of operation.
[CA 1985 Sch 4 Pt I and CA 1985 Pt V Ch III]

Certain start-up costs are capitalised as part of acquisition or self-construction of a tangible fixed asset if they relate to the period when the asset is available for use but incapable of operating at normal levels without such a start-up or commissioning period.

However, operating losses due to lack of demand may not be capitalised. For example the losses incurred by a hotel or a bookshop, which could operate at normal levels almost immediately, but for which experience teaches that demand will build up slowly and full utilisation will be achieved only over the period of several months, may not be capitalised.
[FRS 15]

Start-up costs are normally expensed as incurred but sometimes may be classified as intangible assets (*frais d’établissement*) or deferred charges depending on their nature. The heading *frais d’établissement* may include external costs such as legal fees and other expenses in establishing a legal entity. Such costs must be amortised over a period which cannot exceed five years. The undepreciated amount is deducted from retained earnings to calculate distributable earnings. These items are usually written off in consolidated accounts.
[*PCG* art 361-1, 361-3]

Other start-up costs that relate to new activity such as opening of a new facility, introducing a new product or service, conducting business in a new territory, etc. are required to be accounted on the basis consistent with the accounting treatment of similar costs incurred as part of ongoing activities. In cases where there are no such similar costs, start-up costs can only be recognised as assets if they meet the recognition criteria in the relevant standards such as those dealing with tangible fixed assets, intangible assets or development costs.
[UITF 24]

Other expenditure on start-up activities, for instance costs to open a new facility or business (pre-opening costs), or expenditure for commencing or launching new products or processes (pre-operating costs) may be accounted for as deferred charges if they will result in future economic benefits. Such deferred expenditure should be amortised over a relatively short period.
[*PCG* art 361-4]

SHORT LEASEHOLD PREMIUMS

Rental holidays, reverse premiums and other incentives paid to lessees to enter into operating lease contracts are required to be spread on a straight-line basis over the lease term or, if shorter than the full lease term, to the review date on which the rent is first adjustable to the prevailing market rate. Where, in the exceptional circumstances, these payments do not represent part of the lessor's market return, another systematic and rational basis may be used.
[UITF 28]

Leasehold contracts are usually three to nine years in France.

Lessees are required to capitalise premiums paid on these contracts (*droit au bail*) as intangible assets if they represent a negotiable right. They should not be amortised but written off where a permanent diminution in value is identified. These premiums normally have a market value at the end of the lease term.
[*PCG* art 442-20]

If premiums paid on leasehold contracts represent in substance additional rental expense, they should be accounted for as deferred charges and amortised over the period of the lease.

6. TANGIBLE FIXED ASSETS

UNITED KINGDOM

COST

Tangible fixed assets are initially recorded at cost. There is no specific minimum value for capitalisation.

REVALUATION

The law permits tangible fixed assets, intangible fixed assets (except goodwill), investments and stocks (inventories) to be recorded at a valuation (generally current cost or market value at the date of the last valuation).
[1985 CA, Sch. 4]

FRS 15, which is effective for periods ending on or after 23 March 2000, requires companies revaluing assets to use the following valuation bases for unimpaired tangible fixed assets:

- non-specialised properties – existing use value, with the addition of notional directly attributable acquisition costs, where material;
- specialised properties – depreciated replacement cost;
- properties surplus to an entity's requirements – open market value, after deducing expected directly attributable selling costs, where material; and
- tangible fixed assets other than properties – market value, or

FRANCE

Tangible fixed assets are initially recorded at cost. Items with a value below FF2,500 (†381) are generally expensed.

In both statutory and consolidated accounts, revaluation of tangible fixed assets and financial assets is permitted (although rare in practice). Where a company adopts a policy of revaluation it must revalue all relevant asset categories. Intangible assets (Section 5) and stocks (Section 8) may not be revalued. The rules for valuation of financial investments are discussed in Section 7.
[Code de Commerce, Art. L123-18 al.4, *PCG* art 350-1]

The detailed rules for an individual company's accounts are derived from the tax rules and are as follows:

- legal revaluation – tax free revaluation of intangible and tangible fixed assets and fixed asset investments was allowed in the period 1976-1977. Surpluses arising from upward revaluation of non-depreciable assets were credited directly to a revaluation reserve, *réserve de réévaluation légale*. Surpluses arising from upward revaluation of depreciable assets were initially credited to a specific depreciated replacement cost where market value is not available.

Revalued assets should be carried at current value at the balance sheet date. Specific guidance exists on how this can be achieved using a five-year valuation cycle.
[FRS 15]

provision account, *provision spéciale de réévaluation*, and then released to the profit and loss account over the useful life of the relevant asset; and

- voluntary revaluation – from 1984 onwards surpluses arising from any upward revaluation are immediately taxable at the corporation tax rate, and therefore such revaluations are very rare. The surpluses are credited to a revaluation reserve account, *écart de réévaluation libre*. Depreciation is based on the revalued amount and the excess depreciation charge resulting from the revaluation is tax allowable. The calculation of profit or loss on disposal of a revalued asset is based on its net carrying value at the date of disposal. The *écart de réévaluation libre* is part of equity and is not part of the profit or loss on disposal. The *écart de réévaluation libre* may not be distributed or used to reduce accumulated losses.

In addition to paying corporation tax on revaluation gains, companies revaluing their fixed assets will also face increased tax payable in respect of *taxe professionnelle* which is partly based on the value of fixed assets.

Due to unfavourable tax treatment, revaluations in France are much less common that in the UK. However, they may be of greater interest for a company in danger of losing significant unrealised tax assets resulting from tax losses brought forward but nearing the end of the five year period allowed for carry forward.

Requirements in respect of consolidated accounts are the same as for individual company's accounts.

In the consolidated accounts, both tangible fixed assets and financial assets may be carried at valuation.

Where a tangible fixed asset is revalued, all tangible fixed assets of the same class must be revalued.

When a group decides to revalue its fixed assets, the same method must be consistently applied for consolidation purposes by each consolidated company.

Surpluses arising from upward revaluation are credited directly to a revaluation reserve and shown in the statement of total recognised gains and losses. Deficits are taken to the profit and loss account to the extent that they do not represent a reversal of a previous upwards revaluation.

Surpluses arising from upward revaluation are credited directly to a revaluation reserve. Deficits are taken to the profit and loss account.

However, if the revaluation loss is clearly caused by the consumption of economic benefits, it is considered to be similar to depreciation and recognised in the profit and loss account.

FRS 15 requires other losses to be recognised in the statement of total recognised gains and losses to the extent that the asset's recoverable amount is greater than its revalued amount. Such losses, which have been demonstrated not to be impairments, are in the nature of losses caused by a general fall in prices.

Where fixed assets are revalued, depreciation is charged to the profit and loss account based on the revalued amounts.
[FRS 15]

Depreciation is based on the revalued amount, and the profit or loss on disposal is calculated on the net carrying value at the date of disposal.
[Règ n°99-02]

FRS 3 requires that recognition of profit or loss on disposal of an asset which has been revalued be based on its net carrying value at the date of disposal. Any past valuation surpluses or deficits in the revaluation reserves relating to the asset are shown as a reserve transfer. The gain or loss calculated on a historical cost basis is shown in a note.

The note of historical cost profits and losses reconciles the reported profit on ordinary activities before taxation to the equivalent historical cost amount, and also shows retained profit on a historical cost basis.
[FRS 3]

CAPITALISATION OF BORROWING COSTS

Interest on capital specifically borrowed to finance the production of an asset may be included in the cost of the asset to the extent it accrues in the period of production. [1985 CA, Sch. 4]

Whilst many companies capitalise interest, it is equally common practice not to do so.

As in the UK, interest may be capitalised to the extent that it is incurred during the period of production of an asset and that the expenditure is financed by external borrowing. However, this practice is less common than in the UK. [*PCG* art 331-1]

DEPRECIATION

Depreciation rates are set to reduce net book value to the estimated residual value over an asset's useful economic life. The depreciation method used should result in a depreciation charge that reflects the economic use of the asset. Both the straight-line and the reducing balance methods are normally seen as acceptable. However, it is expected that the ASB will shortly make a change to FRS 15 which will specifically disallow (with a limited exception) back-end loaded methods of depreciation such as the annuity based method.

In the consolidated accounts, the depreciation charge reflects the economic depreciation and is often calculated using the straight line method. Other methods are often used in statutory accounts where the depreciation charge is based on advantageous tax rules and options (e.g. reducing balance method or accelerated tax depreciation). Consequently, restatement of the depreciation charge is a common consolidation adjustment for French enterprises.

To qualify for tax deduction in the individual company's accounts depreciation must be charged using the standard rates accepted by tax authorities.

Both the straight-line and reducing balance methods may be used. The rates most often used under the straight-line method are as follows:

Nature of fixed assets	Depreciation rates
Commercial buildings	2 to 5%
Industrial buildings	5%
Office buildings	4%
Machinery	10 to 15%
Tools	10 to 20%
Vehicles	20 to 25%
Office furniture, equipment	10 to 20%
Fixtures and fittings	5 to 10%
Computer hardware	33.33%

Land is generally not depreciable.

Land is not depreciable.

Tax authorities will not normally challenge the rates used as long as they do not deviate from the above rates by more than 20%.

The reducing balance method can be used only for a very limited list of new items of machinery and equipment with useful lives of at least three years. The reducing balance method may be used for tax purposes even where it is established that the straight-line method better reflects economic depreciation of the asset. When this is the case, the difference between depreciation calculated using these two methods is credited to a specific provision account, *provision pour amortissement dérogatoire*. Reducing balance rates are calculated by multiplying the appropriate straight-line rates by the following coefficients:

Useful life	Coefficient Before 1/1/01	Coefficient After 1/1/01
3 or 4 years	1.5	1.25
5 or 6 years	2.0	1.75
More than 6 years	2.5	2.25

Where special accelerated depreciation rates are introduced by the authorities to encourage certain investments (e.g. in specific energy-saving and anti-pollution equipment, software, etc.) the difference between the 'normal' depreciation charge and tax driven accelerated depreciation is shown in *provision pour amortissement dérogatoire*. The provision is subsequently reversed when the normal depreciation charge exceeds the accelerated depreciation charge.

Where estimates of useful economic lives of fixed assets are changed, the undepreciated cost should be depreciated over the revised estimates of the remaining lives.
[FRS 15]

As in the UK, where the estimate of the useful economic life of a fixed asset is changed, the remaining undepreciated cost is depreciated over the revised estimates of remaining lives.
[*PCG* art 331-8]

Where the depreciation method is changed, the undepreciated cost of the asset should be written off over the remaining useful life using the new method.
[FRS 15]

CAPITAL GOVERNMENT GRANTS

Capital grants received are credited to deferred income and amortised over the lives of the assets to which the grants relate.
[SSAP 4]

In an individual company's accounts, non-reimbursable grants relating to financing of capital expenditure are credited to a special reserve account, *subvention d'équipement*, and subsequently released to the profit and loss account over the life of the asset to which the grant relates.
[*PCG* art 441-13]

In consolidated accounts such grants are generally reclassified as deferred income and released to the profit and loss account over the life of the related asset.

IMPAIRMENT REVIEWS

FRS 11 requires an impairment review to be carried out if events or changes in circumstances indicate that the carrying amount of fixed assets or goodwill may not be recoverable. The review will compare the carrying amount of a fixed asset or of an income generating unit with its recoverable amount (i.e. the higher of net realisable value, if known, and value in use). Any shortfall, or for revalued assets – any fall below depreciated historical cost or one that is clearly caused by a consumption of economic benefit, will be taken to the profit and loss account. For the revalued assets, the other part of the shortfall is set against revaluation reserve and recognised in the STRGL.

Although no specific guidance is provided, the French law requires a general impairment review every 12 months. Consequently, if the net book value of an asset appears to be overstated, the asset will be written off to its estimated recoverable amount by means of a "provision" which can thereafter be reversed if the recoverable value increases.
[Code de Commerce, Art. L123-12 al.2, *PCG* art 322-1]

Net realisable value will be based on market value. Value in use will be calculated based on the present value of the future cash flows of the asset or income-generating unit.
[FRS 11]

Where the recoverable amount of a tangible fixed asset increases because of a change in economic conditions or otherwise, a previously recognised impairment loss is reversed. The reversal is recognised in the profit and loss account for assets carried at cost. For revalued assets the reversal is recognised in the profit and loss account to the extent that the original impairment loss, adjusted for subsequent depreciation, was recognised in the profit and loss account, and in the STRGL to the extent of the remainder.
[FRS 11]

INVESTMENT PROPERTIES

Investment properties (defined as land and/or building held for investment potential but excluding property held for own use or leased to group companies) are not depreciated and are included in the balance sheet at their open market value.
[SSAP 19]

In France, no specific rules exist in respect of investment properties and, consequently, general rules for fixed assets apply.

7. FINANCIAL INVESTMENTS

UNITED KINGDOM

Under the historical cost convention, investments classified as current are valued at the lower of cost and net realisable value and those classified as fixed (long-term) are valued at cost less provision for permanent diminution in value. Any reduction in value from cost is charged to the profit and loss account. A provision for diminution in value which is no longer required must be written back. Investments carried as fixed assets may also be carried at a valuation.
[1985 CA, Sch. 4]

Requirements in respect of accounting for investments in the UK do not distinguish between interest bearing and equity investments. However, where there is an intention to hold to maturity fixed asset securities which bear no coupon rate but carry a premium at maturity it would be normal practice to accrue the premium over the term of the security.

Under alternative valuation rules (which are relatively rarely used in practice) investments classified as fixed assets may be valued either:

- at market value as determined at the date of their last valuation; or
- at a value determined on any basis which the directors consider to be appropriate in the circumstances.

(1985 CA, Sch. 4: 31(3))

FRANCE

Financial investments comprise:

- shares in subsidiaries and affiliates;
- loans to subsidiaries and affiliates;
- shares in a long-term investment portfolio;
- other fixed asset investments; and
- marketable securities (including shares and bonds).

Marketable securities are classified as current assets. All of the other categories above are classified as fixed asset investments.

Valuation rules at the balance-sheet date vary for different classes of the investments:

- Investments in shares of subsidiaries and affiliates recorded in the individual company's accounts are carried at cost.

  At the balance sheet date, any permanent diminution in value is charged to the profit and loss account. Unrealised profits are not accounted for.

  Criteria such as expected returns, net equity value and average share price are therefore used to help determine the value in use at the balance sheet date.

[*PCG* art. 332-3]

In addition, current asset investments where a ready and active market exists are increasingly being shown at market value, with gains or losses being taken to the profit and loss account.
[1985 CA, Sch. 4]

In the statutory accounts, as an exception to the above general rule, companies publishing consolidated accounts may value their investments in subsidiary undertakings using the equity method of accounting provided that this valuation method is applied to the whole portfolio of subsidiary undertakings.

Where the restatement between historical cost and the equity method results in a net surplus, the surplus is credited to a revaluation reserve account, *écart d'équivalence*.

Where the restatement results in a reduction below historical cost, a provision for diminution in value is charged to the profit and loss account. If the restatement results in a net deficit, a provision for liabilities and charges is created.
[*PCG* art 332-4, 441/10]

- The 'shares in a long-term investment portfolio' category comprises investments in shares intended to be held with a view to obtaining profits within a reasonably long period of time but which do not give rise to any management influence over the investee.

At the balance sheet date, each category of shares is valued referring to the future activity of the shareholding based in particular on the market value. Any permanent diminution in value is charged to the profit and loss account.

[*PCG* art 332-5]

- Other investments in shares and marketable securities are valued either by the reference to average market price of securities for the last month prior to balance sheet date (if quoted) or using estimates of likely realisable value. Unrealised gains are not recognised in the profit and loss account. A provision is required to be recognised for each category of shares where valuation at balance-sheet date becomes lower than the net carrying amount.

  Exceptionally the enterprise may balance unrealised gains and losses on quoted shares in case of an unusual and temporary diminution of value.

[*PCG* art 332-6, 332-7, 332-9]

8. STOCKS AND LONG-TERM CONTRACTS

UNITED KINGDOM

STOCK VALUATION

Stocks are generally valued at the lower of cost and net realisable value. [SSAP 9]

SSAP 9 contains no exceptions to the 'lower of cost and net realisable value' rule. However, the Companies Act allows stocks to be valued at current cost, and in certain (very few) industries, such as commodity brokers and plantation companies, it is accepted trade practice to value stocks at market value.
[SSAP 9, 1985 CA Sch. 4]

A number of various cost approximation methods are permitted including weighted average cost, standard cost and FIFO. However, as the LIFO method does not usually provide a fair approximation of actual cost, this method is not generally permitted.
[SSAP 9]

Cost comprises all expenditure which has been incurred in the *normal* course of business in bringing the product or service to its present location and condition.

Production costs include all direct expenses as well as all related *production* overheads, even though these may accrue on a time basis.

FRANCE

Similarly to UK GAAP, stocks are valued at the lower of cost and net realisable value.

Revaluation of stocks is not permitted under French GAAP.

Cost methods that may be used include actual cost for identifiable stocks, weighted average cost or FIFO.

The LIFO method is allowed in the consolidated accounts but is very rarely used in practice.
[Code de Commerce, Art. L123-18 al 3, Decree of 23 March 1967, Art. D 248-8c]

Cost includes purchase price (including freight and custom duties) or production cost.

Production cost must include all costs incurred in the manufacturing process including direct costs and allocation of production overheads, otherwise stock valuation could be challenged by the tax authorities.

On these grounds, general administrative and selling expenses are normally excluded.	As with UK GAAP, production costs cannot include either research and development costs or general overheads, except if justified by specific production conditions.
Whichever method of applying overheads is adopted, the overheads should be applied on the basis of the company's normal level of activity. Overhead costs which are the result of operating inefficiencies such as abnormal idle capacity or abnormal rectification work are not included in the stock valuation. [SSAP 9]	Production costs do not include abnormal costs caused by lower production or costs due to wasted materials. [*PCG* art 321-3]
Interest on borrowed capital to finance the production of an asset may be capitalised. Consequently, interest may be capitalised where, for example, a company holds a significant portion of maturing stocks such as whisky. However, generally interest should not be included in stock valuations since capital is normally borrowed to finance the activities of the business as a whole and not to finance stocks during the period of production. [1985 CA Sch. 4, SSAP 9]	Interest expense incurred to finance the production cycle may be capitalised either in the consolidated accounts or in the statutory accounts (in the latter, it is permitted only when the production cycle is longer than twelve months). [*PCG* art 333-1, 321-3; Decree of 23 March 1967, Art. D248-8d)]
Net realisable value is defined as the actual or estimated selling price net of trade discounts and after deduction of all further costs to completion and of marketing, selling and distribution. [SSAP 9]	Net realisable value is calculated in the same way as in the UK.

LONG-TERM CONTRACTS

One method of revenue recognition on long-term contracts is permitted. Such contracts are assessed on a contract by contract basis, and turnover and related costs recorded as contract activity progresses. The profit recorded reflects the proportion of work completed and any known inequalities of profitability in the various stages of the contract.

Profit on long term contracts may be recognised either on completion of the contract or using the percentage of completion method (the preferred method). Once an enterprise adopts the percentage of completion method it cannot revert back to the completed contract method.

No profit is taken where the outcome of the contract cannot be assessed with reasonable certainty. Where no loss is expected, turnover is recognised as a proportion of the total contract value using a zero estimate of profit. When a contract is expected to make a loss, the whole of that loss is recognised immediately.

When a contract is expected to make a loss, the whole of that loss is recognised immediately, whatever the stage of completion of the contract. However, only the part of the loss corresponding to the completed portion of the contract is tax deductible.

The definition of long-term contracts includes significant contracts of less than one year's duration where their exclusion from turnover and profits would not give a true and fair view. [SSAP 9]

A similar definition exists in France for complex contracts which meet certain criteria.

[*PCG* art 380-1, Règ n°99-02]

9. DEBT AND CAPITAL INSTRUMENTS

UNITED KINGDOM

CAPITAL INSTRUMENTS

Capital instruments (other than shares) are classified as debt if they contain an obligation to transfer economic benefits.
[FRS 4]

Convertible debt is shown separately in the liabilities section of the balance sheet. Conversion of debt instruments should not be anticipated. On conversion, shares issued are recorded at the amount equal to the carrying value of debt at the date of conversion.
[FRS 4]

FRANCE

In an individual company's accounts accounting for capital instruments generally follows their legal form. Non-redeemable financial instruments are always classified as permanent funds, but do not form part of shareholders' funds.
[*PCG* art 434-1]

In consolidated accounts, financial instruments should be classified as equity if the following two conditions are met:

- the instrument is either not redeemable, or the decision to redeem is within control of the issuer, or the payment on redemption can be made with equity instruments; and
- servicing (e.g. interest or fixed dividends) is conditional on existence of sufficient distributable profits.

Where returns are to be paid in the absence of sufficient profit, non-redeemable instruments are classified as permanent funds, but do not form part of shareholders' funds.
[Decree of 23.03.67, Art. D248-8h)]

As an exception to the general rule of following legal form in classification of capital instruments, non-equity shares in subsidiaries are disclosed in consolidated financial statements as a liability to the extent that any member of the group has an obligation to transfer economic benefits. In all other cases they are reported as part of minority interests.
[FRS 4]

See Section 13 'Share capital and reserves' for a discussion of non-equity shares.

DISCOUNTS AND PREMIUMS ON ISSUE OF DEBT

Any instruments issued as a means of raising finance including debentures, loans and debt instruments are initially recorded at net proceeds. The finance costs, being the difference between net proceeds and total amounts payable in respect of the debt, are allocated over the term of the debt at a constant rate on the carrying amount.
[FRS 4]

Debentures and loans are generally recorded at net proceeds. However in cases where the redemption value of bonds is different from nominal value, the debt is recorded at redemption value with the premium recognised as a separate asset in the balance sheet. Redemption premiums are amortised over the term of the debt either on a straight-line method basis or in proportion to interest paid.
[*PCG* art 361-5, 441/16]
[Règ n°99-02]

DEBT ISSUE COSTS

The Companies Act prohibits debt issue costs being recorded as assets. FRS 4 requires the debt to be presented net of debt issue costs.

The Companies Act permits issue costs to be debited to the share premium account (additional paid in capital). This is achieved by means of a reserve transfer each year from the profit and loss account reserves to the share premium account for the proportion of the debt finance charge relating to issue costs.
[CA 1985, Sec. 130 and Sch. 4:22 and 24]

Cost incurred in issuing debt may either be expensed immediately or spread over the term of the debt (the latter is the preferred method).
[*PCG* art 361-6]
[Règ n°99-02]

10. EMPLOYEE BENEFITS

UNITED KINGDOM

PENSION COSTS

Many UK companies provide pension benefits for their employees under the terms of employment. Pension schemes typically have large portfolios held outside the company in a trust, administered by fund managers. Whilst the obligation to fund the pension scheme may be shown within a UK company's accounts, the assets and liabilities relating to future pension payments are generally shown outside the accounts, under the standard currently in force (SSAP 24). Forthcoming changes in the UK accounting treatment for pensions are considered below.

FRANCE

All companies participate in the state pension scheme and some companies participate also in special industry schemes. In both cases these are funded with regular contributions and the contributions are treated as an expense for accounting and for tax purposes.

A retirement bonus based on seniority is due to staff at retirement age. Some companies may also have additional pension plans. Under the tax rules, contributions paid to an independent fund to cover such additional pension plans or retirement bonus commitments are tax deductible expenses. Other provisions are not tax allowable and retirement bonuses are only deductible when paid.

DEFINED CONTRIBUTION SCHEMES

United Kingdom: For defined contribution schemes, where the rate of contribution is normally specified in the scheme's rules, accounting is relatively simple, as the employer's cost for the period comprises the contributions payable for the period.
[SSAP 24]

France: Accounting for defined contribution schemes is the same as in the UK.

DEFINED BENEFIT SCHEMES

Under a defined benefit scheme, the rules specify that the benefits to be paid are usually based on the employee's average or final pay.

Under French GAAP companies may choose whether to recognise or not recognise obligations under defined benefit schemes and other similar post-employment benefits. Furthermore, if such obligations are recognised, an enterprise may choose whether to recognise them in full or on a partial basis. However, accounting for legal and constructive obligations for all forms of employee benefit plans is considered to be the preferred method both in statutory and consolidated accounts.

For defined benefit schemes, SSAP 24 permits use of a range of actuarial methods and assumptions, providing the resulting annual pension expense is a substantially level percentage of current and expected future pensionable payroll. No specific method of amortisation of variations from regular cost over the service lives of members is required.

Pension liabilities are usually discounted using an interest rate representing the expected long-term return on plan assets.

If such obligations are not recognised, the estimated unrecorded pension commitments have to be disclosed in the notes. Once a policy of full recognition of pension obligations is adopted it cannot be reversed.
[Règ n°99-02]
[CNC n°97-06 of June 1997; CNC Urgent issues Committee n°00-0A of 6th July 2000]]

Variations from regular cost (experience gains and losses, the effect of changes in assumptions, retroactive amendments) can be amortised over remaining employee service lives either in the aggregate or by separately amortising the variation arising from each valuation.

Companies are encouraged to include anticipated ex-gratia pension increases in actuarial assumptions, with any actual experience variations from assumptions included in the overall experience gain or loss. Alternatively, provided the increases genuinely are ex-gratia and are not the result of an implied

There are no official French standards on accounting for pensions obligations. Guidance issued by OEC recommends that:

- actuarial methods should be used. However the choice of methods is not defined and practice may vary;
- measurement should include estimated future salary increases; and

commitment, the capitalised cost of the increase not covered by a surplus is expensed at the time of the award.

There is no requirement to record a deficiency of net assets compared with the pension obligation (but see transitional provisions below) as a liability.

The frequency of plan valuations is not specified but this is normally done triennially.

Plan assets may be valued using any reasonable method.

Refunds of contributions that are subject to deduction of tax may be accounted for in the period when the refunds occur.
[SSAP 24]

When the normal level of contributions is significantly changed in order to eliminate a surplus or deficit resulting from a significant reduction on members, any reduction in contributions is recognised as it occurs, except where the reduction of members is related to the sale or termination of an operation. In such cases, the associated pension cost or credit should be recognised immediately to the extent necessary to provide for any losses not expected to be covered by the future profits of the operation on the disposal of its assets.
[SSAP 24 as amended by FRS 3]

- actuarial gains and losses associated with post-retirement obligations should be recognised on a systematic basis over employees' average remaining service lives.

UITF 6 has extended the scope of SSAP 24 to cover provision of other post retirement benefits.

30 November 2000 the ASB issued FRS 17 *Retirement Benefits* which will introduce major changes to the current regime:

- use of market values for scheme assets;
- use of a high-quality corporate bond rate in discounting for pension obligations;
- immediate recognition of deficits and surpluses on the balance sheet and in the STRGL; and
- prescribing the use of the projected unit method for the actuarial calculation of pension liability.

FRS 17 becomes fully effective for accounting periods ending on or after 22 June 2003.

POST RETIREMENT BENEFITS OTHER THAN PENSIONS

Although arrangements to provide post retirement benefits other than pensions are still relatively rare in the UK, many UK holding companies have overseas subsidiaries which do provide such benefits.

UITF Abstract 6 extends the scope of SSAP 24 to cover the provision of other post retirement benefits.

ACCOUNTING FOR SHARE OPTIONS

The profit and loss account is charged with intrinsic value of options awarded to employees spread over the related performance period. Intrinsic value is measured as the difference between the fair value of the options at the grant date less any amount that the employees are required to pay for them. (UITF 17)

No specific guidance exists in France. In practice, companies usually make provision as soon as it is probable that share options will be exercised by employees, in case they are obliged to repurchase shares to fulfil these options.

At the balance sheet date, a provision is made for the difference between the repurchase price then estimated and any contribution required of the employee.

PROFIT SHARING

No national plan exists in the United Kingdom; profit sharing plans are at the discretion of the employer.

Every company established for more than three years (the three year exemption applies only to new companies, which excludes companies created by mergers) and employing more than 50 employees must allocate a share of profits to its employees under the National Profit Sharing Plan, the French *participation des salariés aux résultats de l'entreprise*. Annual transfers to a provision for this profit sharing allocation are determined by a legal formula. The amount attributable to the company's employees is frozen for five years before they are entitled to receive it, free of tax.

Agreements with the employees may be drawn up which are more favourable than the minimum legal requirements.

HOLIDAY PAY

Holiday entitlement is at the discretion of the employer, although the normal level of holiday in the UK is four weeks with increased levels for management.

For many UK entities, staff take holidays at a range of dates such that production and staff activity continue throughout the year. Accordingly, recognition of accrued holiday pay is not a significant issue.

However, in certain industries it is more common for staff to take a holiday at the same time with the effect that the entity's business shuts down for a period, for example, the month of August. Since the entity has no revenue in this period, the cost of paying staff during the holiday may be accrued and spread over the eleven months when activity occurs. Such a basis is not prohibited by FRS 12, and should be disclosed as an accrual.
[FRS 12(11)]

Employees are entitled to five weeks holiday per year but specific arrangements, which are more favourable to the employees, may be set up by companies. As a consequence of the new legal working hours standard based on 35 hours, additional weeks holidays or time off are often agreed to balance higher working hours.

Provisions for holiday entitlement not taken are compulsory under French law and may be significant as the legal period for calculating the provision covers twelve months from 1 June.

11. ACCOUNTING FOR INCOME TAXES

UNITED KINGDOM

DEFERRED TAXATION

Under the current standard (SSAP 15), deferred taxation is provided for timing differences to the extent that it is probable that a liability or asset will crystallise (partial provision basis). If it is not probable that a liability or asset will crystallise, then no deferred taxation provision is made in respect of that timing difference. This approach requires an assessment of:

- the probability that the reversing timing differences will be replaced by new (future) timing differences such that a tax liability or asset will not crystallise; and
- the likelihood that deferred tax debit balances will be recovered in the future.

Deferred taxation is calculated using the liability method. This method applies the tax rates likely to be in effect during the periods in which the liability or asset is expected to crystallise.

Deferred tax assets are recognised for future deductions and utilisation of tax credit carry-forwards where recovery is assured beyond a reasonable doubt.

Either the full provision basis (recognising the tax effect of all

FRANCE

Normally, only current tax is recorded in the individual company's accounts. Deferred tax liabilities may however be recognised in limited circumstances such as in respect of gains arising on contributed or merged assets.

Deferred tax must be recognised in consolidated accounts. Deferred tax liabilities must be recognised for all temporary differences arising between the carrying amount of an asset or a liability in the balance sheet and its tax base (with the exception of acquired goodwill and intangible assets acquired in a business combination that cannot be disposed of separately from the acquired company).

Deferred taxes are calculated using tax rates which will apply to the years in which deferred taxes are expected to reverse.

A deferred tax asset is recognised to the extent that there are sufficient taxable temporary differences which are expected to reverse in the same period, or that it is *probable* that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.

transactions in the period) or the partial provision basis (accounting for the tax which is temporarily deferred or accelerated which will reverse in the foreseeable future without being replaced) may be used in accounting for deferred tax arising from recognition of pension and/or other post-retirement benefit obligations.
[SSAP 15, as amended]

On 7 December 2000 the ASB issued FRS 19, Deferred Tax which will replace the current partial provision basis for deferred tax with a form of full provisioning called the incremental liability approach. FRS 19, which becomes effective for accounting periods ending on or after 23 January 2002, will:

- require full provision for all timing differences, including, for example, accelerated allowances for depreciation, short-term timing differences and unrelieved tax losses;
- exempt provision for deferred tax on revaluation gains (unless there is a binding sale agreement for the asset at the balance sheet date), rolled over gains and unremitted earnings of subsidiaries, associates and joint ventures; and
- allow, but not require, deferred tax liabilities and assets to be discounted.

TAX RELATED PROVISIONS

There are no equivalent provisions in the UK.

In France, certain tax related provisions can be recognised in the individual company's accounts. An example of such provisions is *provision pour amortissement dérogatoire* (discussed in Section 6). Such provisions are shown under the heading of *provisions réglementées* included within shareholders' equity. [*PCG* art 441/14]

The other such tax driven provisions that can be made in an individual company's accounts include:

- *Provision pour hausse des prix* (stock provisions). If the unit price of raw material inventories at the end of the financial period has increased by more than 10% in comparison to the two previous periods, the company is entitled to record a provision equal to the amount of the increase exceeding the 10% threshold. This provision is reversed and added back to taxable profit at the end of six years.
  [CGI, art. 39-1-5]

- *Provision pour implantation à l'étranger* (provision for foreign investment) may be made by French companies investing abroad by setting up a branch, creating a company or increasing their share in foreign undertakings.

12. OTHER PROVISIONS AND CONTINGENCIES

UNITED KINGDOM

GENERAL REQUIREMENTS

Provisions are liabilities of uncertain timing or amount. Provisions should be recognised when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- the amount of the obligation can be reliably estimated.

On this principle no provision should be made for future operating losses.

However, provision should be made for the present obligation under an onerous contract. Onerous contracts are narrowly defined; an example is a lease on vacant property.

The amount provided should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision should be discounted where this has a material effect.
[FRS 12]

FRANCE

The CRC recently issued a new standard on provisions containing requirements which are very similar to those in the UK. The standard is effective from 1 January 2002, but earlier application is allowed.
[Règ CRC n°2000-06 of 07.12.00]

Under the old regime, provisions were recognised when:

- it was probable that a liability would arise as a result of a past event or one in progress at the balance sheet date; and
- there was a potential liability related to a specific risk .

Consequently, French texts never allowed provisions for general risks. However, recognition of a provision was not necessarily conditional on the ability to measure it reliably.

A provision was also recognised when the obligation arose after the balance sheet date but before the date of approval of the financial statements by the board of directors.
[Code de Commerce, Art. L123-20; Decree of 29 November 1983, Art 8; *PCG* art 311-3]

Under the new rules a provision should be recognised only when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- the obligation exists at the balance-sheet date; and
- it is probable that a transfer of economic benefits will be required to settle the obligation.

[Règ CRC n°2000-06]

However:

- as an exception, provisions for “heavy” maintenance and repairs expenditure are still allowed; and
- although provision cannot be recognised for future operating losses, provision is required for expected unavoidable losses on long term contracts.

Under the transitional requirements of Règ CRC n°2000-06 provisions that do not meet criteria of the new regulation should be transferred directly to equity as of 1 January 2002. This applies to all provisions with the exception of provisions relating to the introduction of the Euro which will be reversed through the P&L account when the actual expenses are incurred (up to the amount of the actual costs incurred).

Gains on the expected disposal of assets should not be taken into account in measuring a provision. [FRS 12]

As in the UK, gains on the expected disposal of assets are not taken into account in measuring a provision. [Code de Commerce, Art. L123-21]

RESTRUCTURING COSTS

A restructuring provision is restricted to the direct expenditure arising from the restructuring, which is both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity.

Restructuring costs should be provided for only when the general recognition criteria for provisions are met. A constructive obligation to restructure arises only when the entity has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring, by starting to implement that plan or announcing its main features to those affected by it.

Provision is made for restructuring costs only when the general recognition criteria for provisions are met. CRC Regulation n°99-02 gave the specific guidance in respect of such provisions, which relates only to restructuring provisions arising on the acquisition of another entity. Conditions to be met before these provisions can be recognised are as follows:

- restructuring plans are clearly defined by the board of directors and give sufficient details of the costs to be incurred;
- the plans and their consequences have been publicly announced before the end of the first financial year following the date of acquisition.

[Règ n°99-02]

The requirements of Règ CRC n°2000-06 in respect of provisions for restructuring costs are similar to UK GAAP and are more restrictive than those of the previous regulation and of Règ CRC n°99-02. Consequently, it is anticipated that the application of the new rules is likely to result in fewer restructuring provisions being recognised by French companies or provisions being recognised at a later stage.

CONTINGENT LIABILITIES AND ASSETS

In FRS 12 the term contingency is reserved for those items where their existence will be confirmed by the occurrence of one or more uncertain future events which are not within the entity's control. In addition, FRS 12 defines contingent liabilities as liabilities which do not meet the criteria for recognition as provisions, either because a payment is not probable, or because no reliable estimate of the amount can be made.

Contingencies include all potential and future rights and obligations that are not reflected in the balance sheet, which may substantially change the net assets of an enterprise.
[*PCG* art 448]

Contingent liabilities and assets are not recognised but instead they are disclosed in the notes.
[FRS 12]

Similarly to UK GAAP, contingent liabilities and assets are disclosed in the notes.
[*PCG* art 531-2; Règ n°99-02]

13. SHARE CAPITAL AND RESERVES

UNITED KINGDOM

Although many shares have features which make them economically similar to debt, because of their legal status, UK GAAP requires them to be classified as shares and included in shareholders' funds. While this categorisation reflects the legal form of the instruments, FRS 4 requires additional analysis between equity and non-equity interests on the face of the balance sheet. Shares are classified as equity or non-equity shares on the following basis:

- non-equity – shares having any terms which limit the amount of dividends (other than by reference to profit or assets), or limits the amount of capital repayable (if this has a commercial effect), or which are redeemable at the request of the holder;
- equity – unrestricted shares.

[FRS 4]

Under UK GAAP, any instrument which is capable of being separately transferred or redeemed is separately accounted for. For example, if a debt instrument is issued with warrants and the warrants are capable of being separately transferred, a value is allocated to the warrants and reported within equity.

FRANCE

French GAAP does not distinguish between equity and non-equity interests. Preference shares are presented within shareholders' funds.

No similar requirement exists in French GAAP.

PURCHASE OF OWN SHARES

Company law requires that shares redeemed or purchased must be cancelled.

A public company is required to make the redemption or repurchase only from distributable profits. In addition to writing off any premium on redemption/repurchase, a capital redemption reserve is created and an amount equal to the nominal value of the shares redeemed or repurchased is transferred to this reserve from distributable profits. [1985 CA Sec. 160(1)(a), 170 and 171(1)]

In certain circumstances a company may hold its own shares through a specially created trust, for example to satisfy its obligations under an employee share option scheme. In this case, such shares should be shown as an asset on the balance sheet in accordance with Companies Act 1985 formats of accounts.

Companies are allowed to purchase their own shares for redemption, to 'regulate' stock prices or to distribute them to employees under stock option plans.

A company is allowed to hold directly no more than 10% of its own shares. Any excess over that amount should be written off against capital and reserves or sold back to the market. Such 'treasury shares' do not have voting rights and are not entitled to dividends.

In the individual company's accounts and in the consolidated accounts, treasury shares held to satisfy obligations under stock option plans or for short term trading purposes are accounted for as current investments at the lower of cost or market value.

Treasury shares that are held for other purposes are shown as fixed asset investments in the statutory accounts. In the consolidated accounts such treasury shares are offset against reserves [*PCG* art 442 and 445; Code de Commerce, Art. L225-206 to L225-217, Règ n°99-02]

FINANCE CHARGE IN RESPECT OF NON-EQUITY SHARES

The finance charge in respect of non-equity shares is calculated in the same manner as for debt (see Section 9). The difference between the initial net proceeds and the total amounts to be paid on the shares is recognised over the term of the shares at a constant rate on the carrying amount. The finance charge therefore includes any premium or discount on the redemption of redeemable shares.

The amount of the finance charge in respect of non-equity shares is normally shown as the appropriation of profit at the bottom of the profit and loss account (with the credit entry going to an appropriate reserve). As the total amount of dividends paid in respect of each year is required to be shown on the face of the profit an loss account (see above), any difference between the finance charge for the period and dividends paid or proposed is shown as an appropriation of profit. [FRS 4]

SHARE ISSUE COSTS

Expenses, commissions or discounts on any issue of shares can be written off against the share premium account.
[1985 CA s130 (2)]

In the statutory accounts, external costs incurred in relation to an equity transaction may be treated in one of the following ways:

- expensed immediately;
- capitalised as intangible assets ("*frais d'établissement*") and amortised over a period not exceeding five years; or
- debited to the share premium net of related income tax benefit (the preferred method).

In the consolidated accounts, the costs of an equity transaction (net of income tax benefit) are always written off against the share premium account.
[Code de commerce, Art. L232-9 al 2; *PCG* art 361-1 and 361-3]
[CNC – Urgent Issues Committee n° 2000-D of 21 December 2000]

SHARE PREMIUM ACCOUNT

The share premium account is an undistributable reserve which represents the extent to which consideration received in respect of shares issued exceeds the shares' nominal value.
[1985 CA s130 (1), Sch 4]

The share premium account can be used to:

- issue fully paid bonus shares;
- write off preliminary expenses;
- write off expenses, commission or discount on any issue of shares or debentures; or
- provide for any premium payable on redemption of shares and debentures of the company.

[1985 CA s130 (1), Sch 4]

As in the UK, the share premium account is shown as a specific line item in the balance sheet.

The share premium account may be used to write off expenses associated with the issue of new shares (see above). It may also be distributed provided this is in accordance with the articles of association of the company or is approved by an ordinary shareholders' meeting.

REVALUATION RESERVE

This reserve is used to record any gains or losses (subject to limitations) arising from revaluations of assets. The balance of the revaluation reserve represents an unrealised surplus and is not distributable.

Revaluation reserves are discussed in Section 6 above.

LEGAL RESERVES AND OTHER RESERVES

There is no UK equivalent for legal reserves or tax related reserves.

A capital redemption reserve may arise on the redemption or purchase by a company of its own shares. It is an undistributable reserve.

In the statutory accounts, a minimum of 5% of retained profits must be transferred to a designated legal reserve (*réserve légale)* annually until it equals 10% of the issued share capital of the entity. The legal reserve is not distributable.
[Code de Commerce, Art. L232-10]

A merger reserve may be created as a result of the application of the legal exemption from transferring the premium on the issue of shares to the share premium account in certain circumstances defined by the Companies Act.

A company may also create other reserves, for example, as provided for by the company's Articles of Association. However, this is not common in the UK.

Additionally, the articles of association may require an additional element of profit to be transferred to statutory or contractual reserves, *réserves statutaires*, which are also non-distributable.

A regulated capital gains reserve (*réserve spéciale des plus values à long terme*) must be created for net long term gains realised on sales of fixed assets. A net long term gain is taxed at a reduced rate of corporation tax (currently 19% plus additional taxes). The remaining portion of the gain must be credited to this regulated reserve. If this reserve is distributed, an equalisation tax, representing the balance of tax on the original net gain, is levied at the standard corporate tax rate at the date of distribution.

The remaining profit (or loss) after dividends and transfers to the designated legal reserve and other reserves as appropriate is transferred to the profit and loss reserve, *report à nouveau*. This reserve is distributable.

On consolidation, adjustments are made to eliminate tax related reserves and provisions described elsewhere in this publication.

Other reserves represent mainly accumulated profits and losses of the parent company and group share of those of the consolidated companies from date of acquisition.

14. EXCEPTIONAL AND EXTRAORDINARY ITEMS

UNITED KINGDOM

FRS 3 defines extraordinary items very restrictively as material items possessing a high degree of abnormality which derive from events or transactions outside the ordinary activities of the company and which are not expected to recur. In practice, there are no examples. [FRS 3]

FRS 3 defines exceptional items as material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. Exceptional items are included in profit or loss from ordinary activities unless they are one of three 'non-operating exceptional items,' namely: profits or losses on the sale or termination of an operation; costs of a fundamental reorganisation or restructuring; and exceptional profits or losses on the disposal of fixed assets.

FRANCE

French GAAP does not distinguish between extraordinary and exceptional items. In statutory accounts the French *résultat exceptionnel* is loosely defined so as to include any gain or loss that is exceptional by its amount or that does not occur in the normal course of business. These normally include gains or losses on disposals of fixed assets and restructuring costs. Exceptional items are presented below the operating result and net interest income (or expense), and before income tax.
[Decree of 29 November 1983, Art. D14]

In consolidated accounts, it is permitted to present extraordinary and exceptional items separately and to include most of the exceptional items in operating income (or loss).

15. CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENTS

UNITED KINGDOM

The cumulative effect of a change in an accounting policy is shown as an adjustment of the opening balance of reserves. The prior year comparative information is restated under the new policy.

The cumulative adjustment is noted at the bottom of the statement of total recognised gains and losses of the current period, and included in the reconciliation of movements in shareholders' funds of the corresponding period.
[FRS 3]

In addition to disclosure of the effect on the results for the preceding period, FRS 18 requires disclosure of the effect on the current year's results.

A change in depreciation method or rate does not constitute a change in accounting policy; rather, the unamortised cost of the asset should generally be written off over the remaining useful life on the new basis.
[FRS 15]

FRANCE

Changes in accounting policies are shown as an adjustment to opening reserves. Such changes may only occur as a result of a new regulation or the adoption of a new accounting rule which improves the quality of information. (This is the case when adopting one of the preferred methods – e.g. for post retirement obligations – referred to in Section 1.)

Prior year comparative financial statements must be restated under the new policy.

Changes in accounting estimates are accounted for prospectively, and disclosed in the notes.
[CNC n°97-06, *PCG* art 311-5]

This is the same under French GAAP.

Exceptions to this general rule may occur when an accounting policy changes because of a new standard. Transitional provisions in applicable standards specify the acceptable approach(es) to record such changes.

This is the same under French GAAP.

FRS 18 “Accounting policies", effective for years ending on or after 22 June 2001, requires an entity to adopt the accounting policies that are the most appropriate to its circumstances.

PRIOR PERIOD ITEMS

Corrections of fundamental errors are accounted for in a similar way to changes in accounting policies (as described above, i.e. by restating the comparative figures and adjusting the opening balance of reserves for cumulative effect). All other adjustments in respect of prior periods are recorded in the current period’s profit and loss account.

A fundamental error is one which is of such significance as to destroy the true and fair view, and therefore is recognised in very rare circumstances.
[FRS 3]

Adjustments in respect of prior periods resulting from the correction of errors are recorded in the current period’s income statement, except if the original entry was accounted for direct to equity. If material, such adjustments are shown as a separate line in the profit and loss account.
[CNC n°97-06, *PCG* art 311-5]

16. ACQUISITIONS, CONTINUING AND DISCONTINUED OPERATIONS

UNITED KINGDOM

The following profit and loss account headings should be analysed between continuing operations, acquisitions (as a component of continuing operations) and discontinued operations:

- each of the statutory format headings between turnover and operating profit, inclusive;
- profits or losses on the sale or termination of an operation;
- costs of a fundamental reorganisation or restructuring; and
- profits or losses on the disposal of fixed assets.

Profits and losses on discontinuance of a business segment and other gains or losses from the sale or abandonment of fixed assets may not be reported as extraordinary items under FRS 3.
[FRS 3]

See Appendix A.II for example presentation.

FRANCE

French GAAP has no specific guidance on discontinued operations. However, in consolidated accounts companies are required to give information for comparative purposes related to the effect on the balance sheet, the income statement and the cash flow statement of any significant change in the reporting entity.
[Règ n°99-02]

The preferred method is to present proforma income statements with prior years restated as if the change had always been in effect. Proforma information is required for acquisitions that have a significant effect on the reporting entity. The COB defines significant by reference to various financial ratios (e.g. contribution to turnover, profit, assets, indebtedness, etc).

In such a case, the proforma income statement should take into account financial costs and depreciation and amortisation related to fair value adjustments and goodwill that would have been recognised had the acquisition occurred at the start of the prior periods presented.

Proforma information is also required in all cases where changes caused by a total or partial disposal of a former consolidated subsidiary have a significant effect on the consolidated accounts.
[Règ n°99-02]

DISCONTINUED OPERATIONS

An operation is treated as discontinued if it is sold or terminated and it meets all of the following conditions:

- the sale or termination is completed within the year or before the earlier of the end of the three month period after the year end or the approval date of the financial statements;
- if a termination, activities have ceased permanently;
- the sale or termination has a material effect on the nature and focus of the reporting entity's operations and represents a material reduction in operating facilities resulting from either withdrawal from a particular market or a material reduction in turnover from continuing markets; and
- the discontinued assets, liabilities and operations are clearly distinguished physically, operationally and for financial reporting purposes.

French GAAP also allows an alternative treatment on disposal of an enterprise or a significant business segment or activity. The group's share of the net profit and loss of the disposed business may be shown as one line with the details of components of income and expense disclosed in the notes.

Where there is an agreement to dispose of a business at the balance sheet date and the actual transfer of control occurs after the year end but before the accounts are prepared, the assets and liabilities of the enterprise being disposed of can also be combined and presented as a single line on the consolidated balance sheet, provided that relevant information is given in the notes. Similarly to UK GAAP, income and expenses of the company disposed of should be included in the consolidated profit and loss account up to the date of disposal, i.e. the date where control or significant influence ceases.
[Règ n°99-02]

17. DIVIDENDS

UNITED KINGDOM

The total of any dividends paid and proposed must be shown as a separate item in the profit and loss account, any unpaid amounts being shown in the balance sheet as a current liability.
[1985 CA, Sch. 4]

Interim dividends are often paid by listed companies.

FRANCE

Dividends paid and proposed are not shown on the face of the profit and loss account for the year, but are deducted from reserves in the year of payment.

For listed companies, interim dividends are not as common as in the UK.

18. EARNINGS PER SHARE

UNITED KINGDOM

Entities whose ordinary shares or potential ordinary shares are, or will be, publicly traded are required to disclose basic and diluted earnings per share on the face of the profit and loss account.

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share gives effect to dilutive potential ordinary shares outstanding during the period. Detailed guidance on its calculation is found in FRS 14.
[FRS 14]

FRANCE

In consolidated accounts, both basic earnings per share and diluted earnings per share are required to be disclosed for all companies, whether listed or not.
[Règ n°99-02]

As in the UK, basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share gives effect to diluting financial instruments that entitle their holders to receive shares of the parent company in future periods (e.g. convertible bonds or share options).

Règ n°99-02 does not specify how basic and diluted earnings per share should be determined but guidance can be found in OEC pronouncements.

In statutory accounts, information on earnings per share is disclosed in the historical information statement, *tableau des résultats des cinq derniers exercices*, in respect of the results for the last five years. The *Tableau des résultats des cinq derniers exercices* is presented as a separate statement to the shareholders.

The diluted earnings per share figure must be disclosed in a note to the accounts and in the directors' report where a company has warrants, convertible bonds or bonds with warrants attached.

19. FOREIGN CURRENCY

UNITED KINGDOM

REPORTING CURRENCY

While it is customary for a UK company to produce financial statements in pounds sterling, there are no restrictions in UK company law which would prevent a company from using a different currency.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions undertaken by a company are recorded at the rate prevailing when each transaction occurs. Non-monetary assets, such as stocks, tangible fixed assets and equity investments normally remain at the initially recorded amount and are not retranslated, since these balances reflect the historical cost of acquiring the assets.

All monetary assets and liabilities, such as cash and bank balances, debtors and creditors, which are denominated in foreign currencies should be retranslated into the reporting currency using the rates of exchange ruling at the balance sheet date.

Foreign exchange gains and losses, both realised and unrealised, are normally recognised in the profit and loss account.

FRANCE

REPORTING CURRENCY

Financial statements of French companies may be expressed either in French francs or in Euro from 1 January 1999 onwards. However, once the change to reporting in Euro has been made, it is irrevocable.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions undertaken by a company are recorded at the rate ruling at the date of transaction. Realised exchange gains and losses generated on settlement of creditors or debtors are recorded in the profit and loss account.

At the balance sheet date, unrealised exchange gains and losses are calculated on all balances denominated in a foreign currency (with exception of hedged positions). In the consolidated accounts, unrealised exchange losses are debited directly to interest expense, and the preferred method is to recognise unrealised exchange gains as financial income.
[Règ n°99-02]

The two exemptions to the above rule are:

- as for consolidated accounts (see below), exchange differences arising from foreign currency borrowings used to finance or provide a hedge against an investment in a foreign entity may be offset against reserve movements representing the exchange differences arising on the net investments in foreign enterprises; and
- where a rate of exchange is fixed in the contract or where the rate was fixed by entering into a related or matching forward contract, the rate specified in those contracts may be used for translation.

[SSAP 20]

In statutory accounts, the rules are different. In the balance-sheet the unrealised exchange losses are debited to a balance sheet account, *écart de conversion actif*; the unrealised exchange gains are credited to *écart de conversion passif*.

Unrealised exchange losses are charged to the profit and loss account and a separate provision for exchange loss is established with the exception of unrealised exchange losses on hedged positions. Unrealised exchange gains are not allowed to be taken to the profit and loss account, although they are included in taxable profits.
[*PCG* art 342-5, 342-6, 342-7]

CONSOLIDATION OF FOREIGN ENTITIES

When translating financial statements of consolidated foreign enterprises, either the temporal or the closing rate method apply depending on the way the foreign entity is financed or operates in relation to the reporting enterprise.

The net investment method of translation should be applied to foreign enterprises which operate as separate or quasi-independent entities. Balance sheet assets and liabilities should be translated using the closing rate of exchange. UK GAAP allows either the closing rate

Conditions for the use of the temporal method (or historical rate method) and net investment (closing rate) method are the same as those in the UK.

Under the closing rate/net investment method, balance sheet items are translated using the closing rate. All items in the profit and loss account are translated using the average rate for the period (including depreciation charges).

or the average rate for the period to be used in translating the profit and loss account.	
Exchange differences are dealt with by direct transfer to or from reserves (recorded in a separate foreign exchange translation reserve or as part of the profit and loss reserve) and should be reported in the STRGL. The proportion of exchange gains/losses of the group relating to the interests of third parties is adjusted against minority interests. [SSAP 20]	Gains and losses are recognised in shareholders' equity under a separate caption *écart de conversion* to the extent that they relate to the group, with the remaining portion recognised in minority interests.
On disposal of a foreign entity, the cumulative amount of the exchange difference is not recorded in the profit and loss account. It is normally dealt with as a reserve transfer. [FRS 3]	On the disposal of a foreign entity, the cumulative amount of the exchange differences included in equity should be recognised as income or as a loss in the same period the gain or loss on disposal is recognised. [Règ n°99-02]
The temporal method is the appropriate method to consolidate non-autonomous companies. Monetary items in the balance sheet are translated using the closing rate and non-monetary items are translated using the historical rate.	Application of the temporal method is similar to that in the UK.
The resulting exchange differences are recognised in the profit and loss account.	The resulting exchange differences are recognised in the profit and loss account and presented as financial income or expense.
Most items in the profit and loss account are translated using the rate ruling at the date of transactions or the average rate. Depreciation and impairment charges are translated at the same rate as applied to the asset concerned (historical or valuation rate).	

20. LEASES

UNITED KINGDOM

CLASSIFICATION

A lease should be accounted for as a finance lease (capitalised) if it transfers substantially all the risks and rewards of ownership of the asset to the lessee. Where the present value of the minimum lease payments equals 90% or more of the asset's fair value, it is presumed that the lease is a finance lease. At the inception of a finance lease, the lessor should include both the leased asset and the related lease obligation at the present value of the minimum lease payments.

In more complicated arrangements even if the "90% test" is not met, the substance of the arrangement may be one of financing. In this situation the lessee capitalises the asset at the net present value of the lease payments.

SALE AND LEASEBACK

A gain or loss on the sale of an asset which is leased back is deferred if the leaseback is a finance lease, and is recognised immediately when the leaseback is an operating lease (although, in the latter case, some of the gain or loss is deferred if the sale price is not the fair value). Measurement of gain or loss is made after providing for any permanent diminution in value based on the asset's fair value prior to the leaseback.
(SSAP 21)

FRANCE

In consolidated accounts of a lessee, capitalisation of finance leases is encouraged as the preferred method but is not mandatory. However, if finance leases are not capitalised, equivalent information must be presented in the notes.
[Règ n°99-02]

In the statutory accounts, all lease agreements are treated as operating leases. In a lessee's accounts lease rentals are directly expensed as incurred.

Certain specific information on leases must be disclosed in the notes to the accounts.

For finance leases, any profit resulting from sale and leaseback transactions should be treated as deferred income and amortised over the life of the new contract.
[Règ n°99-02]

In the case of operating leases, best practice is to recognise the gain in the profit and loss account when the sale and the leaseback are at market value, and to defer the part exceeding the market value when the sale price is higher than the fair value of the assets.
[OEC pronouncement number 29]

21. EURO ACCOUNTING IMPLICATIONS

UNITED KINGDOM

The costs of making the necessary modifications to assets to deal with the Euro should be written off to the profit and loss account except in those cases where:

(a) an entity already has an accounting policy to capitalise assets of the relevant type; and

(b) the expenditure clearly results in an enhancement of an asset beyond that originally assessed rather than merely maintaining its service potential.

Other costs associated with the introduction of the Euro should also be written off to the profit and loss account.

Expenditure incurred in preparing for the changeover to the Euro and regarded as exceptional should be disclosed. Particulars of commitments at the balance sheet date in respect of costs to be incurred (whether to be treated as capital or revenue) should be disclosed where they are regarded as relevant to assessing the entity's state of affairs. Where the potential impact is likely to be significant to the entity, that other information and discussion should be given, including an indication of the total costs likely to be incurred. This information may be more appropriately located in the directors' report or any operating

FRANCE

The costs incurred of making the necessary modifications to assets to deal with the Euro should be written off to the profit and loss account. However, they may be capitalised under certain circumstances:

- costs incurred on fixed assets under construction;
- costs incurred to create software aiming to deal with the Euro; and
- costs related to a fixed asset, which meet the general conditions for capitalisation, in particular by increasing the asset's useful life.

The expected costs can be provided for and accounted for as exceptional charges if the following conditions are met:

- the decision to incur the costs has already been taken by management;
- the costs are clearly identifiable;
- the amount and timing of the costs are not definitely fixed but the costs can be reasonably estimated; and
- the costs are additional expenses incurred over the normal activity of the company and are exceptional costs incurred only with a view to adapting the company to the Euro.

[CNC n°97-01 of January 1997]

and financial review or other statement included in the annual report published by the entity. [UITF 21]	
Cumulative foreign exchange translation differences recognised in the statement of total recognised gains and losses should remain in reserves after the introduction of the Euro and should not be reported in the profit and loss account.	Cumulative foreign exchange translation differences included in shareholders' equity should remain in reserves after the introduction of the Euro and should not be reported in the profit and loss account.
Where gains and losses on financial instruments used as anticipatory hedges are at present deferred and matched with the related income or expense in a future period, the introduction of the Euro should not alter this deferral and matching treatment.	As for UK GAAP.

Appendix A – Formats of Financial Statements in the UK and in France

APPENDIX A.I

BRITISH HOLDING PLC BALANCE SHEET WITH LITERAL FRENCH TRANSLATION

FRENCH CONSOLIDATED BALANCE SHEET WITH LITERAL ENGLISH TRANSLATION

FRENCH BALANCE SHEET WITH LITERAL ENGLISH TRANSLATION INDIVIDUAL ACCOUNTS – TAX FORMAT

APPENDIX A.II

BRITISH HOLDING PLC PROFIT AND LOSS ACCOUNT WITH LITERAL FRENCH TRANSLATION

FRENCH CONSOLIDATED PROFIT AND LOSS ACCOUNT WITH LITERAL ENGLISH TRANSLATION (ACCOUNTS CLASSIFIED BY NATURE)

FRENCH CONSOLIDATED PROFIT AND LOSS ACCOUNT WITH LITERAL ENGLISH TRANSLATION (ACCOUNTS CLASSIFIED BY DESTINATION)

FRENCH PROFIT AND LOSS WITH LITERAL ENGLISH TRANSLATION. INDIVIDUAL ACCOUNTS – TAX FORMAT

APPENDIX A.III

BRITISH HOLDING PLC – CASH FLOW STATEMENT WITH LITERAL FRENCH TRANSLATION

FRENCH CONSOLIDATED CASH FLOW STATEMENT WITH LITERAL ENGLISH TRANSLATION

APPENDIX A.I

BRITISH HOLDING PLC BALANCE SHEET (BILAN) WITH LITERAL FRENCH TRANSLATION

		Financial Year Exercice N		Financial Year Exercice N-1	
		£'000	£'000	£'000	£'000
FIXED ASSETS	ACTIF IMMOBILISE				
Intangible assets	Immobilisations incorporelles		XX		XX
Tangible assets	Immobilisations corporelles		XXX		XXX
Investments in joint ventures:	Part des sociétés en participation (joint ventures):				
Share of gross assets	Part des actifs	XX		XX	
Share of gross liabilities	Part des passifs	(XX)		(XX)	
		XX		XX	
Investments in associated undertakings	Titres de participation mis en équivalence	XX		XX	
Other investments	Autres immobilisations financières	XX		XX	
			XX		XX
			XXX		XXX
CURRENT ASSETS	ACTIF A COURT TERME				
Stocks	Stocks	XXX		XXX	
Debtors	Créances	XXX		XXX	
Investments	Valeurs mobilières de placement	X		X	
Cash at bank and in hand	Disponibilités	XX		XX	
		XXXX		XXXX	
CREDITORS: amounts falling due within one year	DETTES: partie à moins d'un an				
Debenture loans	Emprunt obligataire	XXX		XXX	
Bank loans and overdrafts	Emprunts et découverts bancaires	XX		XX	
Trade creditors	Fournisseurs	XXX		XXX	
Proposed dividend	Distribution de dividendes prévue	X		X	
Accruals and deferred income	Charges à payer et produits constatés d'avance	XX		XX	
		XXX		XXX	
NET CURRENT ASSETS	ACTIF NET A COURT TERME		XXX		XXX
TOTAL ASSETS LESS CURRENT LIABILITIES	TOTAL ACTIF MOINS PASSIF A MOINS D'UN AN		XXX		XXX
CREDITORS: amounts falling due after more than one year	DETTES: partie à plus d'un an		XX		XX
PROVISIONS FOR LIABILITIES AND CHARGES	PROVISIONS POUR RISQUES ET CHARGES		XX		XX
			XXX		XXX
MINORITY INTERESTS	INTERETS MINORITAIRES				
Equity minority interests	Intérêts minoritaires en capital		X		X
Non-equity minority interests	Autres intérêts minoritaires		X		X
			XXX		XXX

		Financial Year Exercice N		Financial Year Exercice N-1	
		£'000	£'000	£'000	£'000
CAPITAL AND RESERVES	CAPITAUX PROPRES				
Called up share capital	Capital souscrit		XX		XX
Share premium account	Primes d'émission		XX		XX
Revaluation reserve	Réserve de réévaluation		X		X
Other reserves	Autres réserves		X		X
Profit and loss account	Résultat de l'exercice et report à nouveau		XXX		XXX
			XXX		XXX
SHAREHOLDERS' FUNDS	FONDS PROPRES				
Attributable to equity shareholders	Revenant aux actionnaires en capital		XX		XX
Attributable to non-equity shareholders	Revenant aux autres actionnaires		XXX		XXX

These financial statements were approved by the Board of Directors on [X].
Signed on behalf of the directors

Ces états financiers ont été approuvés par le conseil d'administration le [X]
Signés pour le compte du conseil d'administration:

FRENCH CONSOLIDATED BALANCE SHEET (BILAN CONSOLIDE) WITH LITERAL ENGLISH TRANSLATION

ACTIF	ASSETS	Exercice Financial Year N	Exercice Financial Year N-1
ACTIF IMMOBILISE	FIXED ASSETS		
Ecarts d'acquisition	Goodwill	XX	XX
Immobilisations incorporelles	Intangible fixed assets	XX	XX
Immobilisations corporelles	Tangible fixed assets	XX	XX
Immobilisations financières	Financial assets	XX	XX
Titres mis en equivalence	Investments accounted for using the equity method	XX	XX
Total actif immobilisé	Total fixed assets	XXX	XXX
ACTIF CIRCULANT	CURRENT ASSETS		
Stocks et en cours	Stocks and work in progress	XX	XX
Clients et comptes rattachés	Trade debtors and related accounts	XXX	XXX
Autres créances et comptes de régularisation	Other debtors and prepayments	XX	XX
Valeurs mobilières de placement	Marketable securities	XXX	XX
Disponibilités	Cash at bank and in hand	XXX	XXX
Total actif circulant	Total current assets	XXX	XXX
TOTAL ACTIF	TOTAL ASSETS	XXXX	XXXX

PASSIF	LIABILITIES	Exercice Financial Year N	Exercice Financial Year N-1
CAPITAUX PROPRES	SHAREHOLDERS' EQUITY		
Capital [(1)]	Share capital [(1)]	XXX	XXX
Primes [(1)]	Share premium [(1)]	XXX	XXX
Réserves et résultat consolidés [(2)]	Reserves and consolidated profit or loss [(2)]	XXX	XXX
Autres [(3)]	Other [(3)]	XXX	XXX
INTERETS MINORITAIRES	MINORITY INTERESTS	XX	XX
PROVISIONS POUR RISQUES ET CHARGES	PROVISIONS FOR LIABILITIES AND CHARGES	XX	XX
DETTES	CREDITORS		
Emprunts et dettes financières	Borrowings and other financial liabilities	XXX	XXX
Fournisseurs et comptes rattachés	Trade creditors and related accounts	XXX	XXX
Autres dettes et comptes de régularisation	Other creditors and accruals	XXX	XXX
TOTAL DU PASSIF	TOTAL LIABILITIES	XXXX	XXXX

(1) De l'entreprise mère consolidante
(2) Dont résultat net de l'exercice
(3) A détailler dans le tableau de variation des capitaux propres consolidés*

* par exemple, réserves de conversion sur les filiales étrangères, écart d'acquisition imputé sur les capitaux propres dans la méthode dérogatoire.

(1) Of the parent company
(2) Including profit or loss for the year
(3) To be detailed in the consolidated statement of movements on reserves*

* for instance; exchange differences arising on translating the accounts of foreign subsidiaries, reserve difference arising on application of merger accounting

FRENCH BALANCE SHEET (BILAN) WITH LITERAL ENGLISH TRANSLATION INDIVIDUAL ACCOUNTS – TAX FORMAT*

ACTIF	ASSETS	Brut Cost	Exercice N Financial Year N Amort./Prov. Provision	Net Net	Exercice N-1 Net
Capital souscrit non appelé	Called up share capital not paid	XX		XX	XX
ACTIF IMMOBILISE	FIXED ASSETS				
Immobilisations incorporelles	Intangible fixed assets	XXX	(X)	XX	XX
Immobilisations corporelles	Tangible fixed assets	XXX	(X)	XX	XX
Immobilisations financières (1)	Financial assets (1)	XXX	(X)	XX	XX
Total I	Total I	XXXX	(XX)	XXX	XXX
ACTIF CIRCULANT	CURRENT ASSETS				
Stocks et en cours	Stocks and work in progress	XXX	(X)	XX	XX
Avances et acomptes versés sur commandes	Payments on account	XXX		XXX	XXX
Clients et comptes rattachés (2)	Trade debtors and related accounts	XXX	(X)	XX	XX
Autres créances (2)	Other debtors (2)	XXX		XXX	XXX
Valeurs mobilières de placement	Marketable securities	XXX	(X)	XXX	XX
Disponibilités	Cash at bank and in hand	XXX		XXX	XXX
Charges constatées d'avance (2)	Prepayments (2)	XXX		XXX	XXX
Total II	Total II	XXXX	(XX)	XXX	XXX
COMPTES DE REGULARISATION					
Charges à répartir sur plusieurs exercices (III)	Deferred charges (III)	XX		XX	XX
Primes de remboursement des obligations (IV)	Redemption premiums (IV)	XX		XX	XX
Ecarts de conversion actif (V)	Unrealised exchanged losses (V)	XX		X	X
TOTAL GENERAL (I+II+III+IV+V)	GENERAL TOTAL (I+II+III+IV+V)	XXXXX	(XX)	XXXX	XXXX

(1) Dont à moins d'un an (net) ...
(2) Dont à plus d'un an (brut) ...

(1) Including current (net) ...
(2) Including long term (gross) ...

* The tax format and model in the *Plan Comptable Général* require more details for assets. Only the principal items have been presented above.

PASSIF	LIABILITIES	Exercice N	Exercice N-1
CAPITAUX PROPRES	**SHAREHOLDERS' EQUITY**		
Capital social (dont versé...)	Share capital (of which paid up...)	XXX	XXX
Primes d'émission, de fusion, d'apport	Share or merger premium	XXX	XXX
Ecarts de réévaluation	Revaluation reserve	XXX	XXX
Réserves	Reserves	XXX	XXX
Report à nouveau	Retained profit or loss brought forward	XXX	XXX
Résultat de l'exercice	Profit or loss for the period	XXX	XXX
Subventions d'investissement	Capital grants	XXX	XXX
Provisions réglementées	Tax related provisions	XXX	XXX
Total I	**Total I**	XXXX	XXXX
PROVISIONS POUR RISQUES ET CHARGES	**PROVISIONS FOR RISKS & CHARGES**		
Provisions pour risques	Provisions for risks	XX	XX
Provisions pour charges	Provisions for charges	XX	XX
Total II	**Total II**	XXX	XXX
DETTES	**LIABILITIES**		
Emprunts obligataires convertibles	Convertible debt	XXX	XXX
Autres emprunts obligataires	Other debt		
Emprunts et dettes auprès des établissements de crédit (2)	Bank loans (2)	XXX	XXX
Emprunts et dettes financières divers (3)	Borrowings and other financial liabilities (3)	XXX	XXX
Avances et acomptes reçus sur commandes en cours	Payments received on account	XXX	XXX
Dettes fournisseurs et comptes rattachés	Trade creditors and related accounts	XXX	XXX
Dettes fiscales et sociales	Tax and social security payable	XXX	XXX
Dettes sur immobilisations et comptes rattachés	Amounts payable for fixed assets and related accounts	XXX	XXX
Autres dettes	Other creditors	XXX	XXX
COMPTES DE REGULARISATION (1)			
Produits constatés d'avance	Deferred income	XX	XX
Total III	**Total III**	XXXX	XXXX
Ecart de conversion passif (IV)	Unrealised exchange gains (IV)	XX	XX
TOTAL GENERAL (I+II+III+IV)	**GENERAL TOTAL (I+II+III+IV)**	XXXX	XXXX

(1) Dont à moins d'un an...
(2) Dont concours bancaires courants et soldes créditeurs de banques...
(3) Dont emprunts participatifs...

(1) Including current ...
(2) Including short term bank loans and overdrafts...
(3) Including participating loans...

APPENDIX A.II

BRITISH HOLDING PLC PROFIT AND LOSS ACCOUNT (COMPTE DE RESULTAT) WITH LITERAL FRENCH TRANSLATION

PROFIT AND LOSS ACCOUNT	COMPTE DE RESULTAT	Financial Year Exercice N £'000	Financial Year Exercice N-1 £'000
Turnover	Chiffre d'affaires		
a) Continuing operations	a) Activités poursuivies	XXX	XXX
b) Acquisitions	b) Acquisitions	XX	XX
c) Discontinued operations	c) Activités abandonnées	X	X
Total turnover	Chiffre d'affaires total	XXXX	XXXX
Less: share of joint ventures' turnover	Quote-part du chiffre d'affaires des sociétés contrôlées conjointement	(XX)	(XX)
Group turnover	Chiffre d'affaires du groupe	XXXX	XXXX
Cost of sales	Coût des ventes	(XXX)	(XXX)
Gross profit or loss	Marge brute	XX	XX
Distribution costs	Coûts de distribution	(XX)	(XX)
Administrative expenses	Frais administratifs	(XX)	(XX)
Other operating income	Autres produits d'exploitation	XX	XX
Operating profit	Résultat d'exploitation	XX	XX
a) Continuing operations	a) Activités poursuivies	XX	XX
b) Acquisitions	b) Acquisitions	X	X
c) Discontinued operations	c) Activités abandonnées	X	X
Total operating profit	Résultat d'exploitation total	XX	XX
Share of operating profit in joint ventures and associated undertakings	Quote-part du résultat d'exploitation des sociétés contrôlées conjointement et mises en équivalence	X	X
Group operating profit	Résultat d'exploitation du groupe	XX	XX
Profit on sale of properties in continuing operations	Plus-value de cession d'immeubles des activités poursuivies	X	X
Provision for loss on operations to be discontinued	Provisions pour pertes sur les activités destinées à être abandonnées	(X)	(X)
Loss on disposal of discontinued operations	Pertes liées aux activités abandonnées,	(X)	–
Less: provision made in previous year	nettes de provisions de l'exercice précédent.	X	–
		X	–
Profit on ordinary activities before interest	Résultat des activités ordinaires avant frais financiers	XX	XX
Interest receivable	Produits financiers	XX	XX
Interest payable	Frais financiers	(XX)	(XX)

PROFIT AND LOSS ACCOUNT	COMPTE DE RESULTAT	Financial Year Exercice N £’000	Financial Year Exercice N-1 £’000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	RESULTAT DES ACTIVITES ORDINAIRES AVANT IMPOT	XX	XX
Tax on profit on ordinary activities	Impôt sur le résultat courant	(X)	(X)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	RESULTAT NET COURANT DES ACTIVITES ORDINAIRES	X	X
Minority interests	Intérêts minoritaires	X	X
Profit before extraordinary items	Résultat avant éléments extraordinaires	XX	XX
Extraordinary items	Eléments extraordinaires	X	X
PROFIT FOR THE FINANCIAL YEAR	RESULTAT NET DE L’EXERCICE	X	X
Dividends paid and proposed including amounts in respect of non-equity shares	Dividendes payés et dont la distribution est proposée y compris ceux relatifs aux actions autres que de capital	(X)	(X)
Difference between non-equity finance costs and dividends	Ecart entre les coûts financiers des actions autres que le capital et les dividendes	(X)	(X)
Profit retained, transferred to reserves	Bénéfice non distribué, affecté aux réserves	X	X
Earnings per share	Bénéfice par action	X	X
Diluted earnings per share	Bénéfice par action dilué	X	X

FRENCH CONSOLIDATED PROFIT AND LOSS ACCOUNT (COMPTE DE RESULTAT CONSOLIDE) WITH LITERAL ENGLISH TRANSLATION (ACCOUNTS CLASSIFIED BY NATURE)

COMPTE DE RESULTAT	PROFIT AND LOSS ACCOUNT	Exercice Financial Year N	Exercice Financial Year N-1
Chiffre d'affaires	Turnover	XXXX	XXXX
Autres produits d'exploitation	Other operating income	XX	XX
Achats consommés	Purchases consumed	XXX	XXX
Charges de personnel	Payroll costs	XXX	XXX
Autres charges d'exploitation	Other operating charges	XX	XX
Impôts et taxes	Taxes other than income taxes	XX	XX
Dotations aux amortissements et aux provisions	Depreciation and amortisation expense	XXX	XXX
Résultat d'exploitation	Operating income (loss)	XX	XX
Charges et produits financiers	Interest income (expense), net	X	X
Résultat courant des entreprises intégrées	Income (loss) of consolidated companies before items below	XX	XX
Charges et produits exceptionnels	Non operating income (expense), net	X	X
Impôts sur les résultats	Income taxes	XX	XX
Résultat net des entreprises intégrées	Net income (loss) of consolidated companies	XX	XX
Quote-part dans les résultats des entreprises mises en équivalence	Share in net income (loss) of affiliated companies	XX	XX
Dotations aux amortissements des écarts d'acquisition	Amortisation of goodwill	XX	XX
Résultat net de l'ensemble consolidé	Net income (loss) before minority interests	XX	XX
Intérêts minoritaires	Minority interests	XX	XX
Résultat net (Part du groupe)	Net income (loss) (Group share)	XX	XX
Résultat par action	Earnings per share	X	X
Résultat dilué par action	Diluted earnings per share	X	X

FRENCH CONSOLIDATED PROFIT AND LOSS ACCOUNT (COMPTE DE RESULTAT CONSOLIDE) WITH LITERAL ENGLISH TRANSLATION (ACCOUNTS CLASSIFIED BY DESTINATION)

COMPTE DE RESULTAT	PROFIT AND LOSS ACCOUNT	Exercice Financial Year N	Exercice Financial Year N-1
Chiffre d'affaires	Turnover	XXXX	XXXX
Coûts des ventes	Cost of sales	XX	XX
Charges commerciales	Distribution costs	XXX	XXX
Charges administratives	Administrative costs	XXX	XXX
Autres charges et produits d'exploitation	Other operating expenses and revenues	XX	XX
Résultat d'exploitation	Operating income (loss)	XX	XX
Charges et produits financiers	Interest income (expense), net	X	X
Résultat courant des entreprises intégrées	Income (loss) of consolidated companies before items below	XX	XX
Charges et produits exceptionnels	Non-operating income (expense), net	X	X
Impôts sur les résultats	Income taxes	XX	XX
Résultat net des entreprises intégrées	Net income (loss) of consolidated companies	XX	XX
Quote-part dans les résultats des entreprises mises en équivalence	Share in net income (loss) of affiliated companies	XX	XX
Dotations aux amortissements des écarts d'acquisition	Amortisation of goodwill	XX	XX
Résultat net de l'ensemble consolidé	Net income (loss) before minority interests	XX	XX
Intérêts minoritaires	Minority interests	XX	XX
Résultat net (Part du groupe)	Net income (loss) (Group share)	XX	XX
Résultat par action	Earnings per share	X	X
Résultat dilué par action	Diluted earnings per share	X	X

FRENCH PROFIT AND LOSS (COMPTE DE RESULTAT) WITH LITERAL ENGLISH TRANSLATION – INDIVIDUAL ACCOUNTS – TAX FORMAT

COMPTE DE RESULTAT	PROFIT AND LOSS ACCOUNT	Exercice Financial Year N	Exercice Financial Year N-1
Produits d'exploitation	Operating revenues		
Ventes de marchandises	Sales of goods for resale	XXXX	XXXX
Production vendue	Sales of finished goods	XX	XX
Chiffre d'affaires	Turnover	XXXX	XXXX
Production stockée	Changes in stocks of finished goods, and work in progress	XX	XX
Production immobilisée	Own work capitalised	XX	XX
Subventions d'exploitation	Operating subsidies	XX	XX
Reprises sur provisions et amortissements, transferts de charges	Write back of provisions and depreciation, transfers of expenses	XX	XX
Autres produits	Other revenues	XX	XX
Total I	Total I	XXXX	XXXX
Charges d'exploitation	Operating expenses		
Achats de marchandises	Purchases of goods for resale	XXX	XXX
Variation de stock	Changes in stocks	XX	XX
Achats de matières premières et autres approvisionnements	Purchases of raw materials and other supplies	XXX	XXX
Variation de stock	Changes in stocks	XX	XX
Autres achats et charges externes	Other purchases and external charges	XX	XX
Impôts, taxes et versements assimilés	Taxes (other than income taxes)	XX	XX
Salaires et traitements	Payroll costs	XXX	XXX
Charges sociales	Social security expenses	XX	XX
Dotations aux amortissements et aux provisions	Depreciation and amortisation expense	XXX	XXX
Autres charges	Other	XX	XX
Total II	Total II	XXXX	XXXX
Résultat d'exploitation (I-II)	Operating income (loss) (I-II)	XX	XX
Quotes-parts de résultat sur opérations faites en commun III (+ ou -)	Share of results from unincorporated joint ventures III (+ or -)		
		XX	XX
		XX	XX

COMPTE DE RESULTAT	PROFIT AND LOSS ACCOUNT	Exercice Financial Year N	Exercice Financial Year N-1
Produits financiers	Financial income		
De participation	Income from investments	XX	XX
Produits des autres valeurs mobilières et créances de l'actif immobilisé	Income from other investments and loans	XX	XX
Autres intérêts et produits assimilés	Other interest receivable and similar income	XX	XX
Reprises sur provisions et transferts de charges	Write back of provisions and transfers of expenses	XX	XX
Différences positives de change	Realised exchange gains	XX	XX
Produits nets sur cessions de valeurs mobilières de placement	Gains from sales of marketable securities	XX	XX
Total IV	Total IV	XXX	XXX
Charges financières			
Dotations aux amortissements et aux provisions	Amortisation and depreciation expense	XX	XX
Intérêts et charges assimilées	Interest payable and similar charges	XX	XX
Différences négatives de change	Realised exchange losses	XX	XX
Charges nettes sur cessions de valeurs mobilières de placement	Losses from sales of marketable securities	XX	XX
Total V	Total V	XXX	XXX
Résultat financier (IV-V)	Financial income (loss) (IV-V)	XX	XX
Résultat courant avant impôts (I-II+III+IV-V-)	Pre-tax income (loss) before exceptional items	XX	XX
Produits exceptionnels	Exceptional revenues		
Sur opérations de gestion	From operations	XX	XX
Sur opérations en capital	From capital transactions	XX	XX
Reprises sur provisions et ransfertsransferts de charge	Write back of provisions and transfers of charges	XX	XX
Total VI	Total VI	XXX	XXX
Charges exceptionnelles	Exceptional expenses		
Sur opérations de gestion	From operations	XX	XX
Sur opérations en capital	From capital transactions	XX	XX
Dotations aux amortissements et aux provisions	Amortisation and depreciation expense	XX	XX
Total VII	Total VII	XXX	XXX
Résultat exceptionnel (VI-VII)	Exceptional income (loss) (VI-VII)	XX	XX
Participation des salariés aux résultats de l'entreprise VIII	Employees' profit sharing VIII	XX	XX
Impôts sur les bénéfices IX	Income tax IX	XX	XX
Total des produits (I+III+IV+VI)	Total income (I+III+IV+VI)	XX	XX
Total des charges (II+III+V+VII+VIII+IX)	Total expenses (II+III+V+VII+VIII+IX)	XX	XX
Bénéfice ou perte	Net income (loss)	XX	XX

APPENDIX A.III

BRITISH HOLDING PLC – CASH FLOW STATEMENT (TABLEAU DE FLUX DE TRESORERIE) WITH LITERAL FRENCH TRANSLATION

		Exercice Financial Year N	Exercice Financial Year N-1
Net cash inflow from operating activities	Flux nets de trésorerie liés à l'exploitation	XXX	XXX
Returns on investments and servicing of finance	Revenus des investissements et coûts de financement	XXX	XXX
Interest received	Intérêts reçus	XX	XX
Interest paid	Intérêts payés	(XX)	(XX)
Dividend to minority interests	Dividendes versées aux interêts minoritaires	(XX)	(XX)
Interest element of finance lease rental payments	Intérêts inclus dans les redevances de location-financement	(XX)	(XX)
Dividends received from associated undertakings	Dividendes reçus des sociétés mises en équivalence	XX	XX
Net cash inflow from returns on investments and servicing of finance	Flux nets de trésorerie liés aux revenus des investissements et aux coûts de financement	XXX	XXX
Taxation	Impôts		
UK corporation tax paid	Impôts sur les sociétés payés au Royaume-Uni	(XX)	(XX)
Overseas tax paid	Impôts payés à l'étranger	(XX)	(XX)
Tax paid	Impôts payés	(XX)	(XX)
Capital expenditure and financial investment	Dépenses d'investissement		
Payments to acquire tangible fixed assets	Paiements pour l'acquisitions d'immobilisations corporelles	(XX)	(XX)
Receipts from sales of tangible fixed assets	Encaissements sur cession d'immobilisations corporelles	XX	XX
Payments for additions to investments	Acquisitions d'immobilisations financières	(XX)	(XX)
Receipts from sale of investments	Encaissements sur cessions d'immobilisations financières	XX	XX
Net cash outflow from capital expenditure and financial investment	Sortie nette de trésorerie provenant d'opérations d'investissements	X	X
Acquisitions and disposals	Acquisitions et cessions		
Purchase of subsidiary undertakings	Acquisition de filiales	(X)	(X)
Net cash acquired with subsidiary undertakings	Trésorerie acquise avec filiales	XX	XX
Sale of business	Cession d'activités	XX	XX
Net cash outflow from acquisitions and disposals	Sortie nette de trésorerie liés aux acquisitions et cessions	X	X

		Exercice Financial Year N	Exercice Financial Year N-1
Equity dividends paid	Dividendes versés aux actionnaires en capital	(XX)	(XX)
Management of liquid resources	Gestion de la trésorerie court terme		
Net movement in short term deposits	Variation nette des dépôts à court terme	X	(X)
Net purchase of short term investments	Acquisitions nettes de valeurs mobilières de placement	(X)	(X)
Net cash inflow from management liquid resources	Flux nets de la gestion de trésorerie court terme	X	(X)
Financing	Opérations de financement		
Issue of ordinary share capital	Emission de capital en actions ordinaires	XX	XX
Net repayment of loans	Remboursement net d'emprunts	XX	XX
Capital element of finance lease payments	Part de capital des redevances de location-financement	X	(X)
Net cash inflow (outflow) from financing	Entrées/sorties nettes de trésorerie provenant des opérations de financement	XX	XX
Increase (decrease) in cash	Augmentation (diminution) de la trésorerie	XX	XX

Statement of Net Debt — Tableau d'endettement net

Net debt at the start of the year	Endettement net à l'ouverture de l'exercice	(XXX)	(XXX)
Decrease in cash	Diminution de la trésorerie	(XXX)	(XX)
Net movements in short term deposits	Variation nette des dépôts à court terme	(X)	(XX)
Net purchase of short term investments	Acquisition nette de valeurs mobilières de placement	(X)	X
Change in market value of investments	Variation de la valeur de marché des valeurs mobilières de placement	(X)	X
Net repayments of loans	Remboursement net d'emprunts	XXX	XX
Foreign exchange effects	Incidence des variations de cours des devises	XX	X
Net debt at end of the year	Endettement net à la clôture de l'exercice	(XXX)	(XXX)

FRENCH CONSOLIDATED CASH FLOW STATEMENT (TABLEAU DE FLUX DE TRESORERIE CONSOLIDE) WITH LITERAL ENGLISH TRANSLATION

Flux de trésorerie liés à l'activité	Cash flow from operating activities	Financial Year N	Financial Year N-1
Résultat net des entreprises intégrées	Net result of consolidated companies	XX	XX
Elimination des charges et produits sans incidence sur la trésorerie ou non liés à l'activité:	Less non cash or non operating items:	XX	XX
■ Amortissements et provisions [1]	■ Depreciation and provisions [1]	XX	XX
■ Variations des impôts différés	■ Changes in deferred taxes	XX	XX
■ Plus-values de cession, nettes d'impôt	■ Gains on disposal of fixed assets (net of taxes)	XX	XX
■ Marge brute d'autofinancement des sociétés intégrées	■ Cash flow from operating activities of consolidated entities	XX	XX
■ Dividendes reçus des sociétés mises en équivalence	■ Dividends from associated undertakings	XX	XX
■ Variation du besoin en fonds de roulement lié à l'activité [2]	■ Change in working capital from operating activities [2]	XX	XX
Flux net de trésorerie généré par l'activité	Net cash flow from operating activities	XXX	XXX
Flux de trésorerie liés aux opérations d'investissement	Cash flow from investing activities		
Acquisition d'immobilisations	Acquisition of fixed assets	(XX)	(XX)
Cession d'immobilisations, nettes d'impôt	Sales of fixed assets, net of taxes	XX	XX
Incidence des variations de périmètre [3]	Effects of changes in group structure [3]	(XX)	(XX)
Flux net de trésorerie lié aux opérations d'investissement	Net cash flow from investing activities	XX	XX

		Financial Year N	Financial Year N-1
Flux de trésorerie liés aux opérations de financement	Cash flow from financing activities		
Dividendes versés aux actionnaires de la société mère	Dividends paid to the parent company shareholders	(XX)	(XX)
Dividendes versés aux minoritaires des sociétés intégrées	Dividends paid to minority interests of consolidated entities	(XX)	(XX)
Augmentation de capital en numéraire	Issue of share capital	XX	XX
Emissions d'emprunt	Increase in borrowings	XX	XX
Remboursements d'emprunt	Repayments of borrowings	(XX)	(XX)
Flux net de trésorerie lié aux opérations de financement	Net cash outflow from financing activities	XX	XX
Variation de trésorerie	Change in cash	XXX	XXX
Trésorerie d'ouverture	Cash at the beginning of the year	XX	XX
Trésorerie de clôture	Cash at the end of the year	XXX	XXX
Incidence des variations de cours des devises	Effects of exchange rate fluctuations	X	X

(1) A l'exclusion des provisions sur actifs circulant

(2) A détailler par grandes rubriques (stocks, créances d'exploitation, dettes d'exploitation)

(3) Prix d'achat ou de vente augmenté ou diminué de la trésorerie acquise à détailler dans une note annexe

(1) Excluding provision on current assets

(2) Main items to be detailed (stocks, trade debtors, trade creditors)

(3) Purchase or selling price adjusted by subsidiaries' cash. To be detailed in a note

Appendix B – The Euro

On 1 January 1999, the Euro became the official currency of 11 countries of the European Union and 300 million citizens.

EURO – TIMETABLE

Key date	Events
1 January 1999	■ 11 countries of the European Union became part of the Euro zone. (France is part of the Euro zone, the UK is not currently part.)
1 January 1999	■ For these 11 countries, payments from one bank to another are made in Euro.
1 January 1999 to 1 January 2002	■ Transition period for the new currency, when the Euro is neither compulsory nor forbidden. During this period shopkeepers are permitted to refuse payments in Euro.
	■ Financial statements can be drawn up using the Euro or the previous currencies, but the change to the Euro is irrevocable.
	■ All contracts signed can be denominated in Euro or in the previous currency.
	■ Money in Euro (credit card, cheque book) is introduced and can be used in the transition period.
1 January 2002	■ Introduction of the Euro fiat money (notes and coins).

Key date	Events
From 1 January 2002	▪ All transactions have to be made in Euro. ▪ All contracts signed have to be denominated in Euro. ▪ All contracts signed before 2002 continue, the amounts are automatically valued taking into account the permanent rate (e.g. rental contract employment contracts, etc.).

EURO / FRENCH FRANC RATE FIXED ON 1 JANUARY 1999

France (1 Euro = 6.55957 French francs)

Appendix C – Glossary

ENGLISH – FRENCH

A	Account	Compte
	Accountancy/Accounting	Comptabilité
	Accounting period	Exercice
	Accrued expenses	Charges à payer
	Accruals basis (accounting principle)	Principe d'indépendance des exercices
	Accrued income	Produits à recevoir
	Acquiree	Entreprise acquise
	Administrative expenses	Charges administratives/frais généraux
	Affiliate	Société liée
	Amortisation	Amortissement (immobilisations incorporelles)
	Annual General Meeting	Assemblée Générale Ordinaire
	Annual report	Rapport annuel
	Appropriation of net income	Affectation du résultat
	Articles of Association	Statuts
	Assets	Actifs
	Associated undertaking	Société mise en équivalence
	Auditing firm	Cabinet d'audit/de commissariat aux comptes
	Auditors	Auditeurs/Commissaires aux comptes
	Authorised capital	Capital autorisé

B	Balance	Solde
	Balance sheet	Bilan
	Bank loan	Prêt bancaire
	Bank statement	Relevé bancaire
	Bearer share	Action au porteur
	Benefits in kind	Avantages en nature
	Bill of exchange	Lettre de change
	Board of directors	Conseil d'administration
	Bond	Obligation
	Book	Comptabiliser, enregistrer
	Bookkeeping	Tenue de comptabilité
	Borrowing	Emprunt
	Branch	Succursale
	Brand	Marque
	Broker	Courtier
	Buildings	Immeubles/Constructions
	Business	Affaire/Entreprise/Activité
	Business combination	Regroupement d'entreprises
	Business tax	Taxe professionnelle
C	Called-up share capital	Capital souscrit
	Capital	Capital social
	Capital gain	Plus-value
	Capital loss	Moins-value
	Cash at bank and in hand	Disponibilités
	Cash flow	Flux de trésorerie
	Cash flow statement	Tableau des flux de trésorerie
	Chairman	Président
	Cheque	Chèque
	Chief Executive Officer	Directeur général
	Closing rate	Cours de clôture (change)
	Commercial code	Code de Commerce
	Commission	Commission
	Company	Société
	Company accounts	Comptes sociaux
	Consolidated financial statements	Comptes consolidés
	Contingent liabilities	Passifs éventuels
	Contract	Contrat
	Contribution	Apport
	Corporation tax, corporate income tax	Impôt sur les sociétés

	Cost accounting, management accounting	Comptabilité analytique, comptabilité de gestion
	Cost of sales	Coût des ventes
	Costs	Coûts/Frais/Charges
	Credit	Crédit
	Credit limit	Limite de crédit
	Creditor	Créancier
	Creditors	Dettes
	Currency	Devise/monnaie
	Current account	Compte courant
	Current assets	Actifs à court terme/actif circulant
	Current liabilities	Passif à court terme
	Current tax	Impôt exigible
D	Debenture	Obligation
	Debit and credit	Débit et crédit
	Debt	Dette
	Debtor	Créance/débiteur
	Deferral method	Méthode du report fixe
	Deferred charge	Charge à répartir/charges constatées d'avance
	Deferred income	Produit constaté d'avance
	Deferred tax	Impôt différé
	Depreciation (balance sheet)	Amortissement (immobilisations corporelles)
	Depreciation charge	Dotation aux amortissements
	Diminution (impairment) in value	Dépréciation
	Director	Administrateur
	Discontinuing operation	Activité en cours d'abandon
	Discount	Rabais, remise, ristourne, escompte
	Discounted	Actualisé
	Disposal	Cession
	Dispute	Litige
	Distribution costs	Coûts de distribution
	Dividend	Dividende
	Doubtful debt/receivable	Créance douteuse
	Due date	Echéance
E	Earnings	Bénéfices
	Employee	Employé, salarié

	Employee profit-sharing	Intéressement; participation légale des salariés aux résultats de l'entreprise
	Equity	Capitaux propres
	Equity method	Méthode de la mise en équivalence
	Exchange rate	Taux de change
	Exceptional/Extraordinary	Exceptionnel/Extraordinaire
	Executive committee	Comité exécutif/directoire
	Expenses	Charges
	Export	Exportation
F	Factory	Usine
	Fees	Honoraires
	Finance lease	Location-financement
	Financial accounting	Comptabilité générale
	Finished goods	Produits finis
	Fixed assets	Immobilisations
	Fixed costs	Coûts fixes
	Fixtures and fittings	Agencements et installations
	Full provision method (deferred tax)	Méthode du report global (impôts différés)
	Foreign currency	Devise étrangère
	Foreign exchange	Change
	Futures	Contrats à terme normalisés (« futures »)
G	Gearing	Ratio d'endettement/effet de levier
	General expenses	Frais généraux
	General ledger	Grand livre
	Goods	Marchandises
	Goodwill (purchased)	Fonds commercial (comptes individuels)
	Goodwill(consolidation)	Ecart d'acquisition (comptes consolidés)
	Gross margin/profit	Marge brute/bénéfice brut
	Guarantee	Garantie/caution
H	Head office	Siège social
	Hedging	Couverture
	Hire purchase	Location avec option d'achat
	Historical cost	Coût historique
	Historical rate	Cours historique (change)

I	Impairment in value	Dépréciation
	Income	Bénéfice/résultat/produit/revenu
	Income tax	Impôt sur le revenu (individuals)/sur les sociétés (companies)
	Insurance	Assurance
	Intangible assets	Immobilisations incorporelles
	Interest	Intérêt
	Interest payable	Intérêts à payer
	Interest receivable	Intérêts à recevoir
	Interim report	Rapport intermédiaire
	Inventory	Inventaire physique
	Investment	Placement/Investissement
	Invoice	Facture
	Issue (of shares)	Emission (d'actions)
J	Joint Venture	Co-entreprise
L	Land and buildings	Terrain et constructions
	Lease	Bail/Location/Crédit-bail
	Lease back	Cession bail
	Leasehold premium	Droit au bail
	Liabilities	Passifs
	Liability method	Méthode du report variable
	Litigation	Litige
	Loan	Prêt
	Long term	Long terme
	Loss	Perte
	Loss to completion	Perte à terminaison
M	Management	Direction/Gestion
	Managing Director	Directeur général
	Material	Significatif
	Merger	Fusion
	Minimum annual tax payment	IFA (Impôt forfaitaire annuel)
	Minority interest	Intérêts minoritaires
	Money	Argent
	Mortgage	Prêt/Hypothèque
N	Net profit	Résultat net
	Net worth	Situation nette
	Non-recurring	Non récurrent
	Notes to the financial statements	Notes annexes/annexe

O	Off balance-sheet commitment	Engagement hors-bilan
	Office	Bureau
	Operating income (loss)	Résultat d'exploitation (opérationnel)
	Operating lease	Location simple
	Option	Option
	Ordinary activities	Activités ordinaires
	Ordinary share	Action ordinaire
	Other costs	Autres coûts
	Overheads	Frais généraux
	Operating income (loss)	Résultat opérationnel (d'exploitation)
P	Parent company	Société-mère
	Partial provision method (deferred tax)	Méthode du report partiel (impôts différés)
	Partnership	Société de personnes
	Partnership (unlimited liability)	Société en nom collectif
	Patent	Brevet
	Payables	Dettes
	Payment made on account	Acompte payé
	Payment received on account	Acompte reçu
	Payment, disbursement	Paiement/règlement/décaissement
	Pension fund	Fonds de pension
	Pension scheme	Plan/Régime de retraite
	Permanent inventory	Inventaire permanent
	Plant	Usine
	Plant and machinery	Installations techniques, matériel et outillage
	Pooling of interest method	Méthode de la mise en commun d'intérêts
	Portion	Quote-part
	Post	Comptabiliser, enregistrer
	Post-employment benefits	Avantages accordés au personnel postérieurs à l'emploi
	Preference share	Action préférentielle
	Prepayment	Charge payée d'avance
	Price	Prix
	Profit	Bénéfice
	Profit and loss account	Compte de résultat
	Property	Biens immobiliers
	Provision	Provision
	Provision for liabilities and charges	Provision pour risques et charges
	Proxy	Procuration

	Purchase	Achat
	Purchase method of acquisition	Méthode de l'acquisition
R	Rate	Taux
	Raw materials	Matières premières
	Receipt, collection	Encaissement
	Receivable	Créance
	Receivership	Redressement judiciaire
	Record (to)	Comptabiliser, enregistrer
	Redemption	Remboursement
	Related parties	Parties liées
	Report	Rapport
	Research and development	Recherche et développement
	Reserve	Réserve
	Restated	Retraité
	Result	Résultat
	Return	Rentabilité
	Revaluation	Réévaluation
	Royalty	Redevance
S	Salary	Salaire
	Sales	Ventes
	Secretary	Secrétaire
	Securities	Titres/valeurs mobilières
	Security	Sûreté réelle/garantie
	Share	Action
	Share capital	Capital social
	Share price	Prix de l'action
	Shareholder	Actionnaire
	Short term	Court terme
	Solicitor	Avocat
	Special purpose entity	Entité ad hoc
	Staff representative	Délégué du personnel
	Standard	Norme
	Start-up activities	Activités en démarrage
	Statutory financial accounts	Comptes annuels
	Statutory reserve	Réserve Réglementée
	Stock	Stock
	Stock Exchange	Bourse de valeurs
	Stock take/stock count	Inventaire physique
	Stores	Magasins
	Straight line (depreciation)	Linéaire (amortissement)

	Subsidiary	Filiale
	Sundry	Divers/accessoires
	Supervisory board	Conseil de surveillance
T	Take-over	Acquisition/prise de contrôle
	Tangible assets	Immobilisations corporelles
	Tax	Impôt/Taxe
	Tax authorities	Administrations fiscales
	Tax base	Base fiscale
	Tax basis	Base imposable
	Taxable profit (loss)	Bénéfice imposable (perte fiscale)
	Temporary difference	Différence temporaire
	Trade creditors/payables	Comptes fournisseurs
	Trade debtors/receivables	Comptes clients
	Trade union	Syndicat
	Trial balance	Balance générale
	Turnover	Chiffre d'affaires
U	Union representative	Délégué syndical
	Unrealised gain/loss	Gain/perte latente
	Useful life	Durée d'utilité
V	Value in use	Valeur d'utilité
	Valuation	Evaluation
	Value added tax	Taxe sur la valeur ajoutée (T.V.A)
	Value in use	Valeur d'utilité
	Variable costs	Coûts variables
W	Wages	Salaires
	Warranty	Garantie
	Weighted average cost	Coût moyen pondéré
	Winding up (company)	Liquidation
	Work in progress	En cours de production
	Working capital	Fonds de roulement
	Working capital requirement	Besoin en fonds de roulement
	Works committee	Comité d'entreprise
Y	Year end	Clôture de l'exercice

FRENCH – ENGLISH

	French	English
A	Abandon d'activité/Activité en cours d'abandon	Discontinuing operation
	Achat	Purchase
	Acompte payé	Payment made on account
	Acompte reçu	Payment received on account
	Acquisition/prise de contrôle	Takeover
	Actif circulant	Current assets
	Actifs à court terme	Current assets
	Actifs	Assets
	Action	Share
	Action au porteur	Bearer share
	Action ordinaire	Ordinary share
	Action préférentielle	Preference share
	Actionnaire	Shareholder
	Activités en démarrage	Start-up activities
	Activité ordinaire	Ordinary activities
	Actualisé	Discounted
	Administrateur	Director
	Administrations fiscales	Tax authorities
	Affaire	Business
	Affectation du résultat	Appropriation of net income
	Agencements et installations	Fixtures and fittings
	Amortissement (immobilisations corporelles)	Depreciation (balance sheet)
	Amortissement (immobilisations incorporelles)	Amortisation
	Annexe	Notes to the financial statements
	Apport	Contribution
	Argent	Money
	Assemblée Générale Ordinaire	Annual General Meeting
	Assurance	Insurance
	Auditeurs/Commissaires aux comptes	Auditors
	Autres coûts	Other costs
	Autres créditeurs	Other payables
	Autres débiteurs	Other receivables
	Avantages en nature	Benefits in kind
	Avantages accordés au personnel	Post employment benefits
	postérieurs à l'emploi	Post employment benefits
	Avocat	Solicitor

B	Bail/Location/Crédit-bail	Lease
	Base fiscale	Tax base
	Balance générale	Trial balance
	Base imposable	Tax basis
	Bénéfices	Earnings
	Bénéfice brut	Gross profit
	Bénéfice imposable (perte fiscale)	Taxable profit (tax loss)
	Besoin en fonds de roulement	Working capital requirement
	Biens immobiliers	Property
	Bilan	Balance sheet
	Bourse de valeurs	Stock Exchange
	Brevet	Patent
	Bureau	Office
C	Cabinet d'audit/de commissariat aux comptes	Auditing firm
	Caisse de retraite	Pension fund
	Capital appelé	Called up share capital
	Capital autorisé	Authorised capital
	Capital social	Capital/share capital
	Capitaux propres	Equity
	Caution	Guarantee
	Cession	Disposal
	Cession bail	Lease back
	Change	Foreign exchange
	Charge	Cost, expenses
	Charge à répartir	Deferred charge
	Charge constatée d'avance	Prepayment
	Charges à payer	Accrued expense
	Chèque	Cheque
	Chiffre d'affaires	Turnover
	Client	Customer/client/trade receivable/trade debtor
	Clôture de l'exercice	Year end
	Code de Commerce	Commercial code
	Co-entreprise	Joint Venture
	Comité d'entreprise	Works committee
	Comité exécutif	Executive committee
	Commissaire aux comptes	Statutory auditor
	Commission	Commission
	Comptabiliser	Record/book/post
	Comptabilité	Accountancy/Accounting

	Comptabilité analytique, comptabilité de gestion	Cost accounting/management accounting
	Comptabilité générale	Financial accounting
	Compte	Account
	Comptes annuels	Statutory financial accounts
	Compte courant	Current account
	Compte de résultat	Profit and loss account
	Comptes clients	Trade debtors/receivables
	Comptes consolidés	Consolidated financial statements
	Comptes fournisseurs	Trade creditors/payables
	Comptes sociaux	Company accounts/individual accounts/statutory accounts
	Conseil d'administration	Board of directors
	Conseil de surveillance	Supervisory board
	Contrat	Contract
	Contrats à terme normalisés ("futures")	Futures
	Cours de clôture (change)	Closing rate
	Cours historique (change)	Historical rate
	Courtier	Broker
	Court terme	Short term
	Coût des ventes	Cost of sales
	Coût historique	Historical cost
	Coût moyen pondéré	Weighted average cost
	Coûts administratifs	Administrative expenses
	Coûts de distribution	Distribution costs
	Coûts fixes	Fixed costs
	Coûts variables	Variable costs
	Coûts	Costs
	Couverture	Hedging
	Créance douteuse	Doubtful debt/receivable
	Créance	Receivable/debtor
	Créancier	Creditor
	Crédit	Credit
	Crédit autorisé	Credit limit
	Crédit-bail	Lease (finance or operating)
D	Date d'échéance	Maturity date
	Débit et crédit	Debit and credit
	Débiteur	Debtor
	Décaissement	Payment, disbursement
	Découvert	Bank overdraft

	Délégué du personnel	Staff representative
	Délégué syndical	Union representative
	Dépenses, charges	Expenses
	Dépréciation	Diminution (impairment) in value
	Dettes	Debts/payables
	Devise	Currency
	Devise étrangère	Foreign currency
	Différence temporaire	Temporary difference
	Directeur général	Managing director, chief executive officer
	Direction	Management
	Directoire	Executive committee
	Disponibilités	Cash at bank and in hand
	Divers	Sundry
	Dividende	Dividend
	Dotation aux amortissements	Depreciation charge
	Droit au bail	Leasehold premium
	Durée d'utilité	Useful life
E	Ecart d'acquisition (comptes consolidés)	Goodwill (consolidation)
	Echéance	Due date
	Emission (d'actions)	Issue (of shares)
	Employé	Employee
	Emprunt	Borrowing
	En cours de production (Travaux en cours)	Work in progress
	Encaissement	Receipt, collection
	Engagement hors bilan	Off balance-sheet committment
	Enregistrer	Record/book/post
	Entité ad-hoc	Special purpose entity
	Entreprise, société	Company, firm, business, corporation
	Entreprise acquise	Acquiree
	Escompte	Discount
	Etat de rapprochement bancaire	Bank reconciliation
	Evaluation	Valuation
	Exercice	Accounting period
	Expert-comptable	Chartered accountant
	Exportation	Export
	Exceptionnel	Exceptional
	Extraordinaire	Extraordinary

F	Facture	Invoice
	Filiale	Subsidiary
	Filiale sous influence notable	Associated undertaking
	Fonds commercial (comptes individuels)	Goodwill purchased
	Flux de trésorerie	Cash flow
	Fonds de pension	Pension fund
	Fonds de roulement	Working capital
	Fournisseur	Supplier/trade creditor/trade payable
	Frais	Costs, expenses
	Frais généraux	General expenses
	Frais généraux	Overheads
	Fusion	Merger/acquisition
G	Gain/perte latente	Unrealised gain/loss
	Garantie	Guarantee, Warranty
	Gestion	Management
	Grand livre	General ledger
H	Honoraires	Fees
I	IFA (Impôt forfaitaire annuel)	Minimum annual corporation tax payment
	Immeubles/Constructions	Buildings
	Immobilisations	Fixed assets
	Immobilisations corporelles	Tangible fixed assets
	Immobilisations incorporelles	Intangible fixed assets
	Impôt exigible	Current tax
	Impôt différé	Deferred tax
	Impôt sur le revenu (individuals)	Income tax
	Impôt sur les sociétés (companies)	Corporation tax/corporate income tax
	Impôt/Taxe	Tax
	Installations techniques, matériel et outillage	Plant and machinery
	Intéressement	Employee profit-sharing
	Intérêt	Interest
	Intérêts minoritaires	Minority interest
	Intérêts à payer	Interest payable
	Intérêts à recevoir	Interest receivable
	Inventaire	Inventory (stock count)
	Inventaire permanent	Permanent inventory
	Inventaire physique	Inventory/stock take/stock count
	Investissement	Investment

L	Lettre de change	Bill of exchange
	Limite de crédit	Credit limit
	Linéaire (amortissement)	Straight line (depreciation)
	Liquidation	Winding up (company)
	Litige	Dispute, litigation
	Location simple	Operating lease
	Location-financement	Finance lease
	Location avec option d'achat	Hire purchase
	Long terme	Long term
M	Magasins	Stores
	Marchandises	Goods
	Marge brute	Gross margin
	Marque	Brand
	Matières premières	Raw materials
	Méthode de l'acquisition	Purchase method of acquisition
	Méthode de la mise en équivalence	Equity method
	Méthode de la mise en commun d'intérêts	Pooling of interest method
	Méthode du report variable	Liability method
	Méthode du report fixe	Deferral method
	Méthode du report global (impôts différés)	Full provision method (deferred tax)
	Méthode du report partiel (impôts différés)	Partial provision method (deferred tax)
	Moins-value	Capital loss
	Monnaie	Currency
N	Non récurrent	Non recurring
	Norme	Standard
	Notes annexes/annexe	Notes to the financial statements
O	Obligation	Debenture/bond
	Option	Option
P	Participation légale des salariés avec résultats de l'entreprise	Employee profit-sharing
	Parties liées	Related parties
	Passif à court terme	Current liabilities
	Passif	Liability
	Passifs éventuels	Contingent liabilities
	Perte	Loss

	Perte à terminaison	Loss to completion
	Placement	Investment
	Plan/Régime de retraite	Pension scheme
	Plus-value	Capital gain
	Président	Chairman
	Président Directeur General (PDG)	Chairman and managing director/chief executive officer
	Président du conseil d'administration	Chairman of the board/chief executive officer
	Prêt	Loan
	Prêt bancaire	Bank loan
	Prêt/Hypothèque	Mortgage
	Principe d’indépendance des exercices	Accruals basis (accounting principle)
	Prix	Price
	Prix de l’action	Share price
	Procuration	Proxy
	Produit	Income
	Produit à recevoir	Accred income
	Produit constaté d’avance	Deferred income
	Produits finis	Finished goods
	Provision	Provision
	Provision pour risques et charges	Provision for liabilities and charges
Q	Quote-part	Portion/share
R	Rabais, remise, ristourne	Discount
	Rachat/OPA	Takeover
	Rapport	Report
	Rapport annuel	Annual report
	Rapport intérmédiaire	Interim report
	Ratio d’endettement	Gearing
	Recherche et développement	Research and development
	Redevance	Royalty
	Redressement judiciaire	Receivership
	Réévaluation	Revaluation
	Regroupement d’entreprises	Business combination
	Relevé bancaire	Bank statement
	Remboursement	Redemption
	Remise	Discount
	Rendement, Rentabilité	Return
	Réserve	Reserve
	Réserve réglementée	Statutory reserve

	Résultat	Result
	Résultat net	Net profit
	Résultat d'exploitation (opérationnel)	Operating income (loss)
	Retraité	Restated
	Revenu	Income
S	Salaire	Salary
	Salaires	Wages
	Salarié, employé	Employee
	Secrétaire	Secretary
	Sécurité	Security
	Siège social	Head office
	Significatif	Material
	Situation nette	Net worth
	Société	Company
	Société mise en équivalence	Affiliate
	Société de personnes	Partnership
	Société en nom collectif	Partnership (unlimited liability)
	Société liée	Associated undertaking
	Société mère	Parent company
	Solde	Balance
	Statuts	Articles of Association
	Stock	Stock
	Succursale, agence	Branch
	Sûreté réelle/garantie	Security
	Syndicat	Trade union
T	Tableau des flux de trésorerie	Cash flow statement
	Taux	Rate
	Taux de change	Exchange rate
	Taxe professionnelle	Business tax
	Taxe sur la valeur ajoutée (TVA)	Value added tax (VAT)
	Tenue de comptabilité	Bookkeeping
	Terrain et constructions	Land and buildings
	Titres, valeurs mobilières	Securities
	Transaction	Transaction
	Trésorerie	Cash
U	Usine	Factory/plant
V	Valeur d'utilité	Value in use
	Valeur nette comptable	Net book value
	Ventes	Sales

Appendix D – Liaison Resources

Deloitte & Touche provides audit, tax and consulting services to many companies operating in France and UK. As Deloitte & Touche in France and Deloitte & Touche in the UK, we have a large group of professionals skilled at serving French subsidiaries of UK companies, UK subsidiaries of French companies, UK companies with securities traded on French stock exchanges and vice versa. We also have specialized support resources available to assist French companies doing business in the UK and UK companies doing business in France. These resources include:

Based in the United Kingdom

Led by a UK partner and supported by a number of managers seconded from France or who have been on secondment in France, this London based group specialises in French accounting and reporting matters.

One of the key areas of experience of the French Desk is in assisting our clients as they grow. In particular we have assisted many owner managed businesses to set up in the UK and to develop their operations.

Based in France

Our French Desk liaises closely with our French firm, which has both large quoted groups and many small and medium sized owner managed business among its client base. In particular, the firm has extensive experience of international assignments of all sizes.

In addition to audit activities, our French firm with its consulting arm, assists clients in the management and development of their growth. Similarly, the French legal firm provides assistance to clients at a local and international level in areas including tax advice and international tax planning, company law, employment law, inheritance and contract law. Additionally, the firm benefits from a number of specialised teams which deal with financial structuring, corporate finance, and corporate reorganisations.

Offices in the United Kingdom, Channel Islands and the Isle of Man

Aberdeen
66 Queen's Terrace, Aberdeen AB10 1XL
Tel: 01224 625888 Fax: 01224 625025

Belfast
19 Bedford Street, Belfast, Northern Ireland BT2 7EJ
Tel: 028 9032 2861 Fax: 028 9023 4786

Birmingham
Colmore Gate, 2 Colmore Row, Birmingham B3 2BN
Tel: 0121 200 2211 Fax: 0121 236 1513

Bracknell
Columbia Centre, Market Street, Bracknell, Berks RG12 1PA
Tel: 01344 54445 Fax: 01344 422681

Bristol
Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP
Tel: 0117 921 1622 Fax: 0117 929 2801

Cambridge
Leda House, Station Road, Cambridge CB1 2RN
Tel: 01223 460222 Fax: 01223 350839

Cardiff
Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS
Tel: 029 2048 1111 Fax: 029 2048 2615

Crawley
Global House, High Street, Crawley, West Sussex RH10 1DL
Tel: 01293 510112 Fax: 01293 533493

Edinburgh
39 George Street, Edinburgh EH2 2HZ
Tel: 0131 225 6834 Fax: 0131 225 4049

Glasgow
Lomond House, 9 George Square, Glasgow G2 1QQ
Tel: 0141 204 2800 Fax: 0141 221 1864

Guernsey
P.O. Box 137, St. Peter’s House, Le Bordage, St. Peter Port, Guernsey,
Channel Islands, GY1 3HW
Tel: 01481 724011 Fax: 01481 711544

Isle of Man
Grosvenor House, P.O. Box 250, 66/67 Athol Street, Douglas,
Isle of Man, IM99 1XJ
Tel: 01624 672332 Fax: 01624 672334

Jersey
P.O. Box 403, Lord Coutanche House, 66-68 Esplanade, St. Helier, Jersey
Channel Islands, JE4 8WA
Tel: 01534 37770 Fax: 01534 34037

Leeds
10-12 East Parade, Leeds LSI 2AJ
Tel: 0113 243 9021 Fax: 0113 244 5580

Liverpool
Martins Buildings, 4 Water Street, Liverpool L2 8UY
Tel: 0151 236 0941 Fax: 0151 236 2877

London
Hill House, 1 Little New Street, London EC4A 3TR
Tel: 020 7936 3000 Fax: 020 7583 8517

Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR
Tel: 020 7936 3000 Fax: 020 7583 1198

Manchester
PO Box 500, 201 Deansgate, Manchester M60 2AT
Tel: 0161 832 3555 Fax: 0161 829 3800

Newcastle upon Tyne
Gainsborough House, 34-40 Grey Street, Newcastle upon Tyne NE1 6EA
Tel: 0191 261 4111 Fax: 0191 232 7665

Nottingham
1 Woodborough Road, Nottingham NG1 3FG
Tel: 0115 950 0511 Fax: 0115 959 0060

Southampton
Mountbatten House, 1 Grosvenor Square, Southampton SO15 2BE
Tel: 023 8033 4124 Fax: 023 8033 0948

St Albans
Verulam Point, Station Way, St Albans, Herts,AL1 5HE
Tel: 01727 839000 Fax: 01727 831111

Offices in France

Bordeaux
4 cours de Gourgue, 33000 Bordeaux
Tel: +33 5 56 48 49 39 Fax: +33 5 56 48 49 30

Lille
2 avenue Maréchal Leclerc, 59110 La Madeleine
Tel: +33 3 20 14 95 40 Fax: +33 3 20 14 95 49

Lyon
“Park Avenue”, 81 boulevard de Stalingrad, BP 1284, 69608 Villeurbanne Cedex
Tel: +33 4 72 43 37 00 Fax: +33 4 72 43 39 90

Marseille
Les Docks – Atrium 10.4, 10 place de la Joliette, 13002 Marseille
Tel: +33 4 91 59 84 30 Fax: +33 4 91 59 84 59

Nantes
1 allée Baco, BP91525, 44015 Nantes
Tel: +33 2 40 89 73 73 Fax: +33 2 40 48 45 44

Paris
185 avenue Charles de Gaulle, 92200 Neuilly sur Seine
Tel: +33 1 40 88 28 00 Fax: +33 1 40 88 28 28

Strasbourg
18a rue de la Glacière, BP 30, 67300 Schiltigheim Strasbourg
Tel: +33 3 90 20 81 60 Fax: +33 3 90 20 81 70

Tours
19 rue Edouard Vaillant, BP 1249, 37012 Tours Cedex 1
Tel: +33 2 47 60 39 10 Fax: +33 2 47 60 39 05

International Offices

Albania
Algeria
Angola
Anguilla
Argentina
Aruba
Australia
Austria
Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Bermuda
Bhutan
Bosnia & Herzegovina
Botswana
Brazil
British Virgin Islands
Brunei Darussalam
Bulgaria
Cambodia
Cameroon
Canada
Cape Verde Islands
Cayman Islands
Channel Islands
Chile
China
Colombia
Cook Islands
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Savador
Estonia
Finland
France
The Gambia
Gaza Strip
Germany
Ghana
Gibraltar
Greece
Greenland
Guam
Guatemala
Guyana
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kazakstan
Kenya
Korea
Kuwait
Laos
Latvia
Lebanon

Lesotho

Libya

Lithuania

Luxembourg

Macau

Macedonia

Madagascar

Malawi

Malaysia

Malta

Marshall Islands

Mauritania

Mauritius

Mexico

Micronesia

Moldova

Mongolia

Montenegro

Morocco

Mozambique

Myanmar

Namibia

Nepal

Netherlands

Netherlands Antilles

New Zealand

Nicaragua

Nigeria

Northern Mariana Islands

Norway

Oman

Pakistan

Palau

Panama

Papua New Guinea

Paraguay

Peru

Philippines

Poland

Portugal

Qatar

Romania

Russia and New Independent States

San Marino

Saudi Arabia

Singapore

Slovak Republic

Slovenia

South Africa

Spain

Sri Lanka

Sudan

Sweden

Switzerland

Syria

Taiwan

Tanzania

Thailand

Trinidad & Tobago

Tunisia

Turkey

Turks & Caicos Islands

Uganda

Ukraine

United Arab Emirates

United Kingdom

United States

Uruguay

Venezuela

Vietnam

Yemen

Zambia

Zimbabwe

Notes

Deloitte
Touche
Tohmatsu