

From: [Jonathan Channing](#)
To: [UKERS](#)
Cc: [Hugh Knowles](#); [Stuart Piercey](#)
Subject: FRED 50
Date: 11 November 2013 13:36:44
Attachments: [image002.png](#)
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Importance: High

Dear Sirs

As managing agents of over 200 properties in central London we are strongly opposed to the accounting proposals made in FRED 50 for the following reasons:

- From a practical viewpoint, all our Resident Management Company clients (RMCs) will qualify for small company accounts filing whereby only limited balance sheet information is disclosed:
 - The RMC accounts will not be able to show the balance on the service charge and reserves bank accounts, which are held in trust,
 - there are no profit and loss reserves in service charge accounts
 - such accounts would be of very little value to any user of them
 - the additional cost of producing these accounts is therefore a waste
- From a theoretical viewpoint, the FRED contains flaws and difficulties:
 - It implies that the RMC will have to set up its own bank account, into which it will "draw down" service charge monies, presumably as and when they are expended since it can never have a positive or negative balance. This gives rise to unnecessary administrative costs and complexities
 - It relies on a form of memorandum accounting, in order to provide any kind of meaningful information, which will cause confusion and will probably be misleading to the unqualified user
- Full service charge accounts will always need to be produced for the lessees in any event in order to give them the full picture and to comply with the leases. The requirements of these accounts will always be far more demanding than any form of statutory accounts or financial statements.
- Given the trust status of service charge monies, dormant company accounts for RMC's is the only logical form where there is no ground rent to account for.

Yours faithfully

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