

Sir Adrian.  
CAD-01187

RECORD OF LUNCH WITH MR DONALD MAIN, GROUP FINANCE DIRECTOR OF TRUST HOUSE  
FORTE, ON 24 SEPTEMBER 1991

Present:

Donald Main  
Sir Adrian Cadbury  
Nigel Peace

Mr Main said that the number of options in existing accounting standards was unacceptable. His company had encountered one horrific interpretation in an acquisition it had made. There had to be a narrowing, and also harmonisation with the rest of Europe.

2 A relationship between the company and the auditor did undoubtedly build up over the years. There were times when auditors were not as rigorous as they might be, but the situations were not usually material - not affecting the profit figure by more than 5% in total. He would draw a distinction in the case of fast-growing smaller companies and say that here it was important to acknowledge a need to be stricter. In the case of his own firm, the Board would defer to the auditors if they really dug their heels in on a particular issue.

3 Mr Main noted that it was very hard for auditors to interpret commercial situations - for example, to predict how a half-completed contract would turn out. They had to rely on what the company said.

4 Mr Main thought that Audit Committees would not work unless they were required by law or the Stock Exchange, and their access to information was specified. THF did not have an Audit Committee, as the Chairman considered one unnecessary.

5 Rather than comment by the auditors about the state of the accounts in the auditor's certificate, Mr Main said that he would prefer to see a statement by management, eg on MD&A lines, reported on by the auditors. One had to state at some stage that it was the company that was responsible for the accounts.

6 Mr Main did not see the risk of putting UK companies at a competitive disadvantage vis-a-vis their European counterparts by imposing greater disclosure requirements on them as a reason for not going ahead. However he would allow companies not to disclose specific pieces of information where they could demonstrate that disclosure would damage the business, and gave an example relating to his own company.

7 Mr Main agreed that ideally the shareholders should be involved in the auditor's appointment. However the institutions lacked both the resources and the inclination to play a greater role. He did not favour fixed-term audits but one idea might be to have a listing requirement that companies should appoint 2 auditors and rotate between them. On tendering, there could be huge differences in the price quoted depending on the scope of the work to be undertaken. He favoured establishing a minimum threshold.

8 Mr Main said that his company undertook an onerous commitment of visiting the top 50 institutional shareholders on a fairly regular basis. This was the company's principle means of communication with the institutions and the analysts who now often worked for them. Price sensitive information was not sought at such meetings. Stockbrokers lunches were now out.

9 On strengthening the independent element of the Board, Mr Main referred to the situation at BOC where Non-Executives were required to spend a minimum of 20% of their time on BOC duties, and were paid accordingly. The Chief Executive of BOC regarded Non-Executives who really knew the business as an enormous strength both to himself and the other Executive Directors. Sir Adrian commented that some sort of general principle about the degree of involvement by Non-Executives was well worth considering.

NDP

15.10.91

*The Daily Telegraph 8.10.91*  
POLLY PECK INTERNATIONAL PLC (IN ADMINISTRATION)

Coopers & Lybrand Deloitte Administrators' Cost to 15 June 1991

Administration	£1,210,000
Central	£1,175,000
Vestal	£653,000
Near East	£557,000
Sansui	£715,000
PPI Del Monte	£319,000
Other companies & disposals	£710,000
Other	£508,000
	<hr/>
	£5,847,000

THE Polly Peck creditors committee has just received its first bill from the two sets of administrators, Coopers & Lybrand Deloitte and Touche Ross. A copy has come my way, which reveals fees and other charges for the period from the end of last October to the middle of June. Coopers is claiming £5.8m while Touche wants £2.56m.

"I am gobsmacked by this,"

says one indiscreet creditor. "How will we get our money back with charges like these?"

One item of the Touche bill claims £56,000 for "communication with Coopers". On Coopers' own invoice, reproduced above, there is less attention to detail. Perhaps Coopers feels that Polly Peck creditors prefer to look at the big picture.