

There are a number of other disclosures required in the Directors' Report, a vast majority of which have not been changed by recent legislation. These include:

- **In relation to the use of financial instruments by the company an indication of:**
 - The financial risk management objectives and policies of the company;
 - The exposure of the company to price, credit, liquidity and cash flow risk;
- Details of any important events affecting the company that have occurred since the end of the financial year.
- An indication of any Research and Development activities undertaken by the company
- Disclosures concerning the employment of disabled persons and employee involvement (only required when the average number of people employed by the company in each week of the financial year exceeds 250).

We are often asked what key performance indicators should be included as part of the Review. This is not specified in the legislation but the Accounting Standards Board have provided illustrative examples of KPIs in their implementation guidance on Operating and Financial Reviews. The list, which is not exhaustive includes:

- Return on capital employed
- Incremental return on investments
- Economic profit type measures
- Organic rates of growth
- Market position
- Market share
- Average revenue per customer
- Number of subscribers
- Percentage revenue from new products
- Number of products sold per customer
- Cost per unit produced
- Employee morale
- Employee health and safety
- Reserves
- Market risk
- Cash conversion rate
- Customer churn.

Unfortunately a company's auditors are barred by independence constraints from writing a Business Review on behalf of the directors but we can assist you by reviewing your draft reports to ensure they comply with the legislation. In fact auditors are now required to confirm that the content of the Directors' Report is consistent with the financial statements as part of the audit report. Please contact us if we can be of any assistance to you in ensuring that your Business Review does comply with the legislation.

Companies Act 2006 Update

In the last technical update we outlined a number of the changes being brought in by the new Companies Act 2006. Since then the 3rd and 4th Commencement Orders have been issued. Sections enacted include the following:

- Resolutions and agreements affecting a company's constitution
- Exercise of member's rights
- Company directors (in part)
- Resolutions and meetings
- Directors' Report Business Review (see above)
- Fraudulent trading.

On 7 November 2007 the Government announced by written statement that the commencement date for most of the provisions (including a number relating to capital maintenance) due to be commenced on 1 October 2008 would be put back to 1 October 2009 due to the Registrar of Companies advising the Department for Business, Enterprise and Regulatory Reform that he can not be absolutely confident that the necessary changes to systems can be completed on time. At the time of writing a further statement is awaited outlining the final commencement timetable for the Act.

These points highlight only a small number of the many changes under the new legislation. Companies should consider what impact this will have and whether there are any benefits to be gained in adopting new procedures. Companies should be obtaining the necessary advice from Registrars, legal advisers, accountants and other advisers on the impact the new Act will have on them.

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