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The Walker Guidelines for Disclosure and Transparency in Private Equity

REPORT AND ACCOUNTS CHECKLIST FOR PORTFOLIO COMPANIES

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DEFINITIONS

1985 Act	the Companies Act 1985
2006 Act	the Companies Act 2006
Accounts Regulations	the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008
Annual Report	a portfolio company's "annual accounts and reports", as defined in section 471(2) of the 2006 Act
Auditor Remuneration Regulations	the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008
Business Review	the business review required to be contained in the Directors' Report by section 417 of the 2006 Act
BVCA	the British Private Equity and Venture Capital Association
Directors' Report	the directors' report required by section 415 of the 2006 Act
GMG	the Guidelines Monitoring Group, established to monitor conformity with the Walker Guidelines and to keep the Walker Guidelines under review
GMG's Disclosure Guide	"Improving transparency and disclosure, good practice reporting" published by the GMG in March 2010
GMG's Second Report	the second annual report of the GMG dated December 2009 providing a summary of the private equity industry's conformity with the Walker Guidelines
Walker Guidelines or Walker Report	The Guidelines for Disclosure and Transparency in Private Equity published in November 2007 following an independent review undertaken by Sir David Walker

All references in the Checklist to section numbers are to sections in the 2006 Act unless otherwise stated

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INTRODUCTION

The difficult conditions in financial markets and the wider economy mean that these are particularly challenging times in terms of corporate accounting and reporting. In the current climate, the Annual Report of a portfolio company is likely to come under close scrutiny.

The Walker Report - Guidelines for Disclosure and Transparency in Private Equity - November 2007

Background

The review of the adequacy of disclosure and transparency in private equity, led by Sir David Walker, was set up as an industry-led response to concerns arising from the substantial scale and growth in private equity activity in recent years. The establishment of the review was, in part, an acknowledgement that greater accountability was needed to counter an unfavourable public attitude towards private equity, tainted by perceptions of asset-stripping, excessive leverage and a disregard for the interests of employees. Adverse publicity, in the wake of private equity acquisition of control of some major - in some cases, iconic - UK companies was beginning to challenge the social and economic legitimacy of the private equity industry.

The final report contains a set of guidelines for enhanced disclosure by portfolio companies and private equity firms and a series of recommendations and initiatives for the BVCA to take forward. The aim of the guidelines and recommendations is to promote a better understanding of how private equity operates and its actual and potential contribution to the UK economy. It reflects a drive within the private equity industry towards greater corporate responsibility and higher standards of corporate governance. That said, the Walker Report's conclusion was that no guidelines should be set in respect of the board composition and corporate governance arrangements of portfolio companies beyond description in the Annual Report of board composition and experience.

Notwithstanding that conclusion, certain portfolio companies will take the view that it is appropriate, and in their own best interests, for them to operate to high corporate governance and corporate responsibility standards on a voluntary basis. The starting point for such companies is likely to be the Combined Code on Corporate Governance published by the FRC. In addition, there is a wealth of supporting materials and guidance notes relating to both corporate governance and corporate responsibility published by a range of organisations, including the Association of British Insurers, the Institute of Chartered Secretaries and Administrators, the National Association of Pension Funds, the Association of Investment Companies, the London Stock Exchange, the Investor Relations Society and the Quoted Companies Alliance. Corporate governance and corporate responsibility are beyond the scope of this Checklist and are therefore not considered in further detail.

Criteria

This Checklist focuses on the guidelines for enhanced disclosure by portfolio companies. A portfolio company is defined as a UK company which has been acquired by one or more private equity firms:

- (a) in a public to private transaction where the market capitalisation, together with the premium for acquisition of control, was in excess of £210 million **and** more than 50% of revenues were generated in the UK **or** UK employees totalled in excess of 1,000 full-time equivalents; or
- (b) in a secondary or other non-market transaction where enterprise value at the time of the transaction is in excess of £350 million **and** more than 50% of revenues were generated in the UK **or** UK employees totalled in excess of 1,000 full-time equivalents.

The above definition reflects a recommendation by the GMG, subsequently accepted by the BVCA earlier this year, to reduce the enterprise value thresholds to £210 million for public to private transactions (down from £300 million) and £350 million for secondary or other non market transactions (down from £500 million). The revised thresholds apply to financial years ending 31 December 2010 and onwards.

In addition, a change to the criteria was made in April 2009 meaning that, for portfolio companies meeting the relevant enterprise value threshold, only one of the revenue or the employee tests now needs to be met for the Walker Guidelines to apply (prior to then, both tests had to be satisfied).

A private equity firm, for the purposes of the Walker Guidelines, is a firm authorised by the Financial Services Authority that manages or advises funds that either own or control one or more portfolio companies (or have a designated capability to engage in such investment activity in the future).

Monitoring Compliance

For portfolio companies, conformity with the Walker Guidelines represents an opportunity to demonstrate higher levels of management accountability to investors and has the potential to add value in relation to any exit strategy. Conversely, failure to conform is likely to lead to reputational damage and public criticism.

One of the recommendations of the Walker Report was that the BVCA should provide an independent capability to monitor conformity with the Walker Guidelines. While portfolio companies will, no doubt, continue to come under close scrutiny from government, politicians, unions and the media, as well as peer pressure from within the industry, it was concluded that an independent monitoring capability was required to ensure an adequate level of conformity with the Walker Guidelines. That said, the hope expressed in the Walker Report is that a light touch approach on the part of the monitoring body, the GMG, without the need for recourse to any form of censure or sanction, would prove sufficient to deal with most instances of non-conformity.

In cases of material non-conformity, the GMG will discuss the matter in confidence with the private equity firm and/or portfolio company concerned. If a commitment to take early remedial action is not given and the non-compliance has not been adequately explained, it could lead to public censure. Ultimately, the GMG can terminate a private equity firm's membership of the BVCA (although this step would be considered to be a "long backstop").

Voluntary Guidelines

A key feature of the Walker Report was the recommendation of voluntary guidelines, which was considered to be preferable to adopting a compulsory approach through legislation and regulation. There was confidence that voluntary guidelines would secure support and recognition from the main industry participants and that the comply or explain approach, similar in principle to the application of the Combined Code to quoted companies, would provide the flexibility needed for the guidelines to be workable in practice. As the Walker Report itself recognises, the comply or explain approach "provides a potentially substantial degree of suppleness". The report did, however, recommend that the BVCA should institute an independently led review process to enable the Walker Guidelines to be modified, as necessary, in the future and the GMG is also tasked with keeping the Walker Guidelines under review and ensuring that they remain appropriate in changing market and industry circumstances.

Another key issue concerns the extent to which the Walker Guidelines apply to organisations other than portfolio companies. Private equity firms that are members of the BVCA are required to commit to the Walker Guidelines as a condition of membership. Concern has, however, been expressed that the imposition of increased disclosure obligations for private equity firms and portfolio companies potentially places them at a disadvantage to other entities, such as sovereign wealth funds and large private groups that use leverage or otherwise conduct their business on a "private equity-like" basis. Accordingly, the BVCA is seeking to engage with other investors in the "private equity-like" business category with a view to encouraging and securing their voluntary commitment to conform with the Walker Guidelines.

Some private equity firms have decided to apply the Walker Guidelines to all of their investee companies (including those outside the UK), notwithstanding that they are not caught by the definition of a portfolio company.

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Requirements

Where a company falls within the definition of a portfolio company referred to above or voluntarily commits to conformity with the Walker Guidelines, it will be required to:

- (a) make enhanced disclosures in its Annual Report (as set out in detail in the remainder of this Checklist);
- (b) publish its Annual Report on its website within six months of the year-end;
- (c) publish a summary mid-year update, giving a brief account of major developments in the company (but which is not required to include financial statements) on its website no more than three months after the mid-year; and
- (d) provide certain data to the BVCA in relation to each financial year.

As referred to above, the Walker Guidelines operate on a 'comply or explain' basis, with any non-compliance to be explained on the company's website. For example, the GMG's Second Report noted that one portfolio company, EMI, chose to explain rather than comply. EMI's explanation for not making their latest accounts available was that its private equity parent was in ongoing discussions with its lender in respect of a debt restructuring.

The Walker Guidelines also specify that a portfolio company's reporting should focus on substance rather than form and on the economic reality of a company or group rather than its legal structure.

GMG's Second Report and GMG's Disclosure Guide

The GMG's Second Report was published in December 2009 and provides a summary of conformity with the Walker Guidelines in the private equity industry. It recognised that the "efforts made by the private equity industry so far are encouraging, but improvement in some areas is possible".

The GMG's Second Report goes into further detail, providing information on compliance with each of the requirements of the Walker Guidelines. The GMG's Disclosure Guide was published with the objective of helping portfolio companies to conform with the Walker Guidelines by "highlighting good practice supported by examples from portfolio companies over the last two years".

The GMG's Second Report and the GMG's Disclosure Guide, including further reports from the GMG, are therefore very relevant sources of further guidance for portfolio companies.

References to the GMG's Second Report and the GMG's Disclosure Guide are contained within this Checklist, and both documents can be found on the GMG's website.

The purpose of the Checklist

We have compiled this Checklist to provide guidance on the legal and other non-accounting information and narrative reporting required to be included in the Annual Report of portfolio companies to which the Walker Guidelines apply.

The Checklist has been updated to reflect the changes that have occurred since the previous version of this Checklist was published in January 2009. A synopsis of the most significant changes is set out at the start of each section.

We have assumed that any such portfolio company to which the Walker Guidelines apply shall not qualify either as a small sized company (pursuant to sections 381-384 of the 2006 Act) or as a medium sized company (pursuant to sections 465-467 of the 2006 Act).

We outline the disclosure requirements applicable to the narrative reporting sections of the Annual Report which traditionally fall within the remit of the company secretary – we do not cover accounting matters.

Whilst the Checklist is up-to-date as at publication, details may be omitted which are relevant to the specific circumstances of a particular company. The Checklist should not be taken as a substitute for detailed professional advice. The information contained within it is not intended to provide complete coverage of the subjects to which it refers. Professional advice should always be taken on the application of the law or regulatory requirements in any particular case.

The Checklist is up-to-date as at 1 June 2010.

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ANNUAL REPORT

The Walker Report emphasises that the Annual Report of a portfolio company may come under intense public scrutiny and the quality of the output, therefore, needs to reflect this. The audience will not just be the private equity fund or funds that own the company and other shareholders; it will also include employees, other 'stakeholders', potential investors in any subsequent exit or buy-out and future business partners. In other words, the Annual Report of a portfolio company provides an important public relations opportunity and failure to ensure that it is of the requisite standard, in terms of the care and attention which has gone into its production and presentation, may lead to additional scrutiny and the risk of reputational damage.

Directors' Report - Business Review

Introduction

Perhaps the key provision of the Walker Guidelines is the requirement for enhanced disclosure by portfolio companies, such that the Directors' Report must include a Business Review that substantially conforms to the expanded disclosure obligations applicable to quoted companies under section 417(5). This requirement may result in a material increase in the narrative reporting and disclosure obligations of portfolio companies.

It is, of course, important to remember that conformity with the Walker Guidelines can be achieved by either compliance or explanation (where compliance would be inappropriate). Where, for example, a portfolio company is unable to comply with the specific disclosure requirements under section 417(5) without, for example, incurring costs which may not be justifiable in terms of the benefit of making the relevant disclosure, conformity with the Walker Guidelines could be achieved by means of explanation (posted on the portfolio company's website), rather than compliance.

Section 417(5) itself leaves scope for interpretation, in particular as to how detailed particular disclosures should be and the Walker Report does not include any specific implementation guidance in this respect. The additional disclosures required under s.417(5) include the main trends and factors likely to affect the future development, performance and position of the business and information about environmental matters, employees and social and community issues. They also include information about persons with whom the company has significant arrangements essential to its business - the so-called 'supply-chain' disclosure requirement.

The statutory requirements for the Business Review, which are set out in section 417, remain unchanged from last year. Nonetheless, the task of writing their 2009 Business Review will be one of the more demanding challenges facing many companies.

In this section, we set out the statutory requirements for the Business Review and provide details of new reports and guidance which have been published over the last twelve months. In particular, the GMC's Second Report and the GMC's Disclosure Guide provide guidance on the private equity industry's compliance with the Walker Guidelines to date.

Structure of the Directors' Report

Companies that in previous years have kept their Business Reviews separate from their Directors' Reports should bear in mind that the 2006 Act requires the Directors' Report to contain a Business Review and that the liability "safe harbour" for directors at section 463 (explained in the notes below) applies only to the Directors' Report and not to rest of the Annual Report. As a result, it is becoming more usual for companies to include their Business Reviews within their Directors' Reports.

Statutory purpose

The statutory "purpose" of the Business Review is "to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company)". As a result, the authors of a

Business Review will need to address how best to demonstrate the directors' performance of this duty and, in doing so, consider the text of section 172 itself. To this end, we have set out the text of section 172 in the notes below.

Business Review - disclosure requirements

	Reference (e.g. page [] / ✓, x, n/a or ?)
s.417	Does the Directors' Report identify which part of it is the "business review"? (Note 1)
s.417(2)	Does the Business Review fulfil its statutory purpose "to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company)"? (Note 2)
	Does the Directors' Report:
s.417(3)(a)	- contain a fair review of the company's business? (Note 3)
s.417(3)(b)	- contain a description of the principal risks and uncertainties facing the company? (Note 4)
s.417(4)	- constitute "a balanced and comprehensive analysis consistent with the size and complexity of the business" of:
	"(a) the development and performance of the company's business during the financial year"?
	"(b) the position of the company's business at the end of that year"?
s.417(5) and Walker Guidelines Part V para 4(c)	- include ("to the extent necessary for an understanding of the development, performance or position of the company's business"): (Note 5)
	"(a) the main trends and factors likely to affect the future development, performance or position of the company's business"? (Note 6)
	"(b) information about:
	(i) environmental matters (including the impact of the company's business on the environment),
	(ii) the company's employees,
	(iii) social and community issues, (Note 7)

	Reference (e.g. page [] / ✓, x, n/a or ?)
	including information about any policies of the company and the effectiveness of those policies"? (Note 8)
	"(c) subject to subsection (11), information about persons with whom the company has contractual or other arrangements which are essential to the business of the company"? (Note 9)
s.417(5)	- state which kinds of information mentioned in s.417(5)(b) or (c) are not contained in the Business Review?
s.417(6)	- include analysis ("to the extent necessary for an understanding of the development, performance or position of the company's business") using:
	(a) key financial performance indicators?
	(b) other key performance indicators, where appropriate, including information relating to environmental matters and employee matters? (Note 10)
s.417(8)	- include (where appropriate) references to, and additional explanation of, amounts included in the annual accounts?
Walker Guidelines Part V para 4(d)	Does the Directors' Report / Business Review contain a financial review covering risk management objectives and policies in light of the principal financial risk and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the footnotes to the balance sheet and cash flow section of the financial statements? (Note 11)

Notes

1. One purpose of including the Business Review in the Directors' Report is to comply with section 417(1), which states "... the directors' report **must** contain a business review". Another is to ensure that the directors are protected against liability to third parties for the contents of the Business Review by the Directors' Report liability "safe harbour" at section 463.

Section 463 states:

"No person shall be subject to any liability to a person other than the company resulting from reliance, by that person or another, on information in a report to which this section applies."

It also states that a director will only be liable to the company for any statement in the Directors' Report (and therefore, if included in it, the Business Review) "if he knew the statement to be untrue or misleading or was reckless as to whether it was untrue or misleading or ... he knew the omission to be the dishonest concealment of a material fact".

The approach of including the Business Review in the Directors' Report so as to be certain that the section 463 "safe harbour" applies to the Business Review is becoming more usual. An alternative approach is "to incorporate by reference"

by, for example, stating in the Directors' Report that the Business Review is to be treated as being part of the Directors' Report.

2. Section 172 states:

- “(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -
- (a) the likely consequences of any decision in the long term,
 - (b) the interests of the company's employees,
 - (c) the need to foster the company's business relationships with suppliers, customers and others,
 - (d) the impact of the company's operations on the community and the environment,
 - (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
 - (f) the need to act fairly as between members of the company.
- (2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.
- (3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.”

3. All references in section 417 to “the company” also apply, in the case of a parent company, to “the group” (section 417(9)).

The GMG's Disclosure Guide states that for basic compliance, “the business review should set out the markets in which it operates and its strategic priorities to compete within them” and “basic compliance requires a clear, prominent statement of company strategy” which “should set out what the company is trying to achieve and the priorities for how it plans to achieve those objectives.” Additionally “a description of the trends and factors shaping the market in which the company operates should be given”. Further details of good practice, including examples from portfolio companies are given.

4. The GMG's Second Report found in its review of disclosure by a selection of 32 portfolio companies that there was good disclosure here but, in a small number of cases, the risks were not explicitly identified, and had to be inferred from other information provided.

The GMG's Disclosure Guide states that for basic compliance, “the business review should contain an explicit identification of the principal risks and uncertainties facing the company. Long lists of boiler-plate risks should be avoided.” Further details of good practice, including examples from portfolio companies are given.

5. To the extent that the requirements of Walker Part V paragraphs 4 (b) and (c) are met by existing market disclosures in respect of debt or equity insurance on public markets, this should be explained with the relevant material made accessible on the company's website; and where compliance with these paragraphs of the Walker Guidelines, in particular in respect of any forward-looking statement, might involve conflict with other regulatory obligations, the reasons for non-compliance should similarly be explained on the company's website.

6. There is no need to include in the Business Review “information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company” (section 417(10)).

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In addition, the GMG's Disclosure Guide states that "the business review should have a high-level forward-looking orientation" which "could be throughout the annual report or in a separate headed section". Further details of good practice, including examples from portfolio companies are given.

7. The GMG's Disclosure Guide states that:

- a) in respect of environmental matters "the type of disclosure required is, naturally, dependent on the nature of the business. For example it would be expected that water companies would focus on discussions about the level of water wastage and food manufacturers would focus on reducing packaging and the levels of salt and hydrogenated fats in food";
- b) for employee matters, "to the extent that employees are considered a critical resource of the business, disclosures should include a discussion of the management and development of employees, including recruitment, training and development practices"; and
- c) in respect of social and community issues, the annual report should highlight "at a high level, social and community issues affecting the business and the company's policies to address them. The Companies Act disclosure requirement on political and charitable donations is not sufficient to address the criterion."

Further details of good practice, including examples from portfolio companies are given.

8. The GMG's Second Report stated "the disclosures made by a number of the sample reviewed were assessed as barely meeting the requirement [in section 417(5)(b)]. There were few examples of company specific discussion or information that was relevant to the strategy."
9. Section 417(11) states that nothing in section 417(5)(c) "requires the disclosure of information about a person if the disclosure would, in the opinion of the directors, be seriously prejudicial to that person and contrary to the public interest".

If a company omits information in reliance on section 417(11), the Business Review will need to include words to the effect that there "is no [other] information required to be disclosed in this business review in accordance with section 417(5)(c) about persons with whom the group has contractual or other arrangements that are essential to its business".

The GMG's Second Report found that, where information was provided under section 417(5)(c), it tended to be scattered throughout the report and, therefore, this remained an area where the quality of disclosures could be improved.

In addition the GMG's Disclosure Guide states that "the requirement is for the disclosure of significant relationships, such as those with major suppliers or key customers critical to the business, which are likely to influence, directly or indirectly, the performance of the business and its value", and "we encourage an explicit statement as to the existence, or otherwise of essential contractual or other arrangements to aid effective communication." Further details of good practice, including examples from portfolio companies are given.

10. "Key performance indicators" are "factors by reference to which the development, performance or position of the company's business can be measured effectively" (section 417(6)).

The GMG's Second Report found that all companies reviewed disclosed financial KPI's (under section 417(6)(a)), but the disclosure of non-financial KPI's (under section 417(6)(b)) remains "an area for improvement particularly for companies who identified operational strategies and risks but did not identify corresponding KPI's".

The GMG's Disclosure Guide states that KPI's, financial and non-financial, should be explicitly stated without leaving it "up to the reader's discretion to determine what the management determine to be 'key'". Further details of good practice, including examples from portfolio companies are given.

In addition, in January 2006, Defra published guidelines to assist companies with reporting on their environmental performance using “Key Performance Indicators”. The guidelines, which are available from the Defra website, define which KPIs are, in Defra’s view, most relevant to which business sectors.

11. The GMG’s Second Report found that although this was one of the most successfully met requirements, “not all companies reconciled the non-GAAP measures they had used (for example net debt and free cash flow) to the statutory numbers included within the financial statements. The best examples of disclosure included proforma information to enable meaningful comparatives to be provided.”

The GMG’s Disclosure Guide states that for basic compliance, “the financial review of position should include an explanation of the year end debt and capital structure of the company and its funding requirements. This should be linked into the financial statements and notes through appropriate cross referencing.” The guide also states that in respect of basic compliance for the financial risks identified, “discussion in the financial statements of the overall risk management objectives and policies” and “discussion of the risk management policies relating to the company’s leverage” should be included in the financial review of position. Further details of good practice, including examples from portfolio companies are given.

Further information

New guidance and reports on the content of Business Reviews have been published over the last twelve months. As noted in the introduction, the GMG's Second Report and the GMG's Disclosure Guide is likely to be the starting point for portfolio companies seeking further information and is available from the GMG's website. Other guidance and reports are detailed below which, although predominantly relate to quoted companies, are likely to be helpful to the company secretary of a portfolio company seeking to comply with the enhanced Business Review requirements under the Walker Guidelines.

Accounting Standards Board (ASB) - Narrative Reporting Review

"Review of narrative reporting by UK listed companies in 2008/2009"

October 2009

The ASB's Review of Narrative Reporting by UK Listed Companies 2008/2009 (**ASB Narrative Reporting Review**), which was based on 25 FTSE 100, 15 FTSE 250 and 10 SmallCap companies, focussed on three main areas:

Content	How well companies were reporting the content areas set by the Business Review requirements.
Communication	Communication of that content using the Principles for Effective Communication set out in the FRC's discussion paper "Louder than words" (June 2009). Good communication is, in their opinion, is: <ul style="list-style-type: none">- Focussed: highlighting important messages, transactions and accounting policies and avoiding distracting readers with immaterial clutter;- Open & honest: providing a balanced explanation of the results - the good news and the bad news;- Clear & understandable: using plain language, only well defined technical terms, consistent terminology and an easy-to-follow structure; and- Interesting & engaging: getting the point across with a report that holds the reader's attention.
Clutter	Identifying sources of immaterial clutter in narrative reporting.

The ASB guidance can be found on the Financial Reporting Council's (**FRC's**) website.

The ASB Narrative Reporting Review can be fairly regarded as "regulatory" guidance, since the ASB and the Financial Reporting Review Panel (**FRRP**) are both operating bodies of the FRC. It contains, in its final appendix, the ASB's endorsement of "best practice" commentary issued by various organisations and explains how to obtain copies of those commentaries.

FRRP

"Approach to the directors' report"

January 2009

"Review findings and recommendations - 2009"

July 2009

The FRRP assesses the Business Reviews of hundreds of listed companies each year for compliance with the statutory requirements. The FRRP's "Approach to the directors' report" sets out the criteria that it will apply when carrying out such assessments.

The FRRP guidance can be found on the FRC's website.

Investor Relations Society

“Best practice guidelines - Annual Report and Accounts”

April 2009

The ASB Narrative Review contains an indirect endorsement, through one of the commentaries, of the Investor Relations Society’s best practice guidelines. The guidelines are available from the Society’s website.

Directors' Report - Additional Statutory and Other Information

This section summarises in relation to the Directors' Report:

- the remaining disclosure requirements in the 2006 Act;
- the disclosure requirements in the Accounts Regulations; and
- the disclosure requirements in the Walker Guidelines.

Changes since last year

This is the first year that Annual Reports have had to comply with Accounts Regulations. They contain detailed disclosure requirements for a 2009 Annual Report that are almost exactly the same as those that applied to the previous Annual Report under Schedules 4 to 7 to the Companies Act 1985. The new disclosure requirements applicable to the Directors' Report are, in summary:

- the threshold above which charitable donations and EU political donations and expenditure have to be disclosed has been increased from £200 to £2,000 in each case; and
- disclosures about "EU" political donations and expenditure must now cover "independent election candidates" in addition to political parties and political organisations.

Statutory and other information - disclosure requirements

		Reference (e.g. page [] / ✓, x, n/a or ?)
s.236	Has the company or any subsidiary indemnified a director of the company in respect of any liability that he may incur to a third party in relation to the company/group's affairs or in relation to a relevant occupational pensions scheme?	
	If so, does the Directors' Report disclose (where applicable) that a "qualifying indemnity provision": (Note 1)	
s.236(2)	- is in force for the benefit of one or more directors of the company when the Directors' Report is approved?	
s.236(3)	- was in force at any time during the financial year for the benefit of one or more persons who were then directors of the company?	
s.236	Has the company indemnified a director of a subsidiary in respect of any liability that he may incur to a third party in relation to the affairs of any group member or in relation to a relevant occupational pensions scheme?	
	If so, does the Directors' Report disclose (where applicable) that a "qualifying indemnity provision" made by the company:	

	Reference (e.g. page [] / ✓, x, n/a or ?)
s.236(4)	- is in force for the benefit of one or more persons who are directors of any subsidiary when the Directors' Report is approved?
s.236(5)	- was in force at any time during the financial year for the benefit of one or more persons who were then directors of any subsidiary?
	Does the Directors' Report:
Walker Guidelines Part V para 4(a)	- identify the private equity fund or funds that own the company;
s.416(1)(a)	- state the names of all persons who were directors of the company at any time during the year?
Walker Guidelines Part V para 4(b)	- give detail on the composition of the board, identifying separately executives of the company, directors who are executives or representatives of the private equity firm and directors brought in from outside to add relevant industry or other experience? (Note 2)
Walker Guidelines Part V para 4(a)	- identify the senior executives or advisers of the private equity firm in the UK who have oversight of the company on behalf of the fund or funds?
s.416(1)(b)	- state the principal activities of the company/group during the course of the year? (Note 3)
s.416(1)(3)	- state the amount (if any) that the directors recommend be paid by way of dividend?
s.418(2)	Does the Directors' Report state, on the part of each person who is a director when it is approved, that: "(a) so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and (b) he has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information"? (Note 4)

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 7 para 2(1)	<p>Is there a substantial difference between the market value of any of the company/group's interests in land and the amount at which those interests are included in the balance sheet "where the difference is, in the directors' opinion, of sufficient significance as to require" that the attention of the company's members or debenture holders be drawn to it?</p> <p>If so, does the Directors' Report "indicate the difference with such degree as is practicable"?</p>
Accounts Regulations Sch 7 para 3	<p>During the financial year has the aggregate amount of (i) political donations made by the company and its subsidiaries to any "EU" political party or other "EU" political organisation or to any "EU" "independent election candidate" and (ii) all "EU" political expenditure incurred by the company and its subsidiaries exceeded £2,000? (Note 5)</p> <p>If so, does the Directors' Report contain:</p>
Accounts Regulations Sch 7 para 3	- the name of the giver of each such donation?
Accounts Regulations Sch 7 para 3	- the name of the recipient of each such donation?
Accounts Regulations Sch 7 para 3	- the total amount of such donations given to that recipient in the financial year?
Accounts Regulations Sch 7 para 3	- the total amount of political expenditure incurred by the company or the subsidiary concerned in the financial year?
Accounts Regulations Sch 7 para 4	<p>During the financial year has the company or any subsidiary made any contribution to a "non-EU political party"? (Note 6)</p> <p>If so, does the Directors' Report state the amount of the contribution or (if more than one) the total amount of all contributions made to non-EU political parties?</p>
Accounts Regulations Sch 7 para 5	If, during the financial year, the aggregate amount of charitable donations made by the company and its subsidiaries exceeded £2,000, does the Directors' Report contain a statement of:
Accounts Regulations Sch 7 para 5	- the purpose for which each donation was made?

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 7 para 5	- the total amount of donations made for each such purpose?
Accounts Regulations Sch 7 para 6	Does the Directors' Report contain an indication, in relation to the company/group's use of financial instruments (unless such information is "not material" for the assessment of its assets, liabilities, financial position and profit or loss), of:
Accounts Regulations Sch 7 para 6(1)(a)	- its financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used?
Accounts Regulations Sch 7 para 6(1)(b)	- its exposure to price risk, credit risk, liquidity risk and cash-flow risk?
	Does the Directors' Report contain:
Accounts Regulations Sch 7 para (7)(1)(a)	- particulars of important events affecting the company / group since the financial year end?
Accounts Regulations Sch 7 para (7)(1)(b)	- an indication of likely future developments in company / group's business?
Accounts Regulations Sch 7 para 7(1)(c)	- an indication of the company / group's research and development activities (if any)?
Accounts Regulations Sch 7 para 7(1)(d)	- an indication of the company's overseas branches?
Accounts Regulations Sch 7 para 10	Did the average number of the company / group's UK employees (calculated on a weekly basis in accordance with paragraph 10 of Schedule 7) exceed 250? (Note 7) If so, does the Directors' Report contain statements describing such policy as the company has applied during the financial year:
Accounts Regulations Sch 7 para 10(a)	- for giving full and fair consideration to applications for employment by disabled persons, having regard to their particular aptitudes and abilities?
Accounts Regulations Sch 7 para 10(b)	- for continuing the employment of, and arranging appropriate training for, employees who have become disabled during their employment?
Accounts Regulations Sch 7 para 10(c)	- for the training, career development and promotion of disabled employees?

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 7 para 11	If the average number of UK employees during the financial year exceeded 250, does the Directors' Report contain statements describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at:
Accounts Regulations Sch 7 para 11(a)	- providing employees systematically with information on matters of concern to them as employees?
Accounts Regulations Sch 7 para 11(b)	- consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions likely to affect their interests?
Accounts Regulations Sch 7 para 11(c)	- encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means?
Accounts Regulations Sch 7 para 11(d)	- achieving a common awareness on the part of all employees of the financial and economic factors affecting the company's performance?
Accounts Regulations Sch 7 para 12	Does the Director's Report "with respect to the next following financial year" (i.e. the current financial year): (Note 8)
Accounts Regulations Sch 7 para 12(2)(a)	- disclose "whether in respect of some or all of its suppliers, it is the company's policy to follow any code or standard on payment practice"? (Note 9)
Accounts Regulations Sch 7 para 12(2)(a)	- state (if applicable) the name of code or standard and the place where information about, and copies of the code or standard, can be contained?
Accounts Regulations Sch 7 para 12(2)(b)	- disclose whether, in respect of some or all of the company's suppliers, it is the company's policy: <ul style="list-style-type: none"> (i) to settle the terms of payment with those suppliers when agreeing the terms of each transaction? (ii) to ensure that those suppliers are made aware of the terms of payment? (iii) to abide by the terms of payment?
Accounts Regulations Sch 7 para 12(2)(c)	- disclose the company's policy with respect to the payment of those suppliers to whom paragraphs 2(a) and 2(b) of Schedule 7 to the Accounts Regulations do not apply?

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 7 para 12	If the company's payment policy is different for different suppliers or different classes of suppliers, does the Directors' Report identify "the suppliers to which the different policies apply"?
Accounts Regulations Sch 7 para 12(3)	Does the Directors' Report state the number of days which the aggregate of the amounts owed to trade creditors at the end of the year bears to the aggregate of the amounts in which the company was invoiced by suppliers during the year? (Note 10)
Accounts Regulations Sch 7 para 8(a)	During the financial year did the company purchase any of its own shares? If so, does the Directors' Report disclose:
Accounts Regulations Sch 7 para 9(a)	- the number and nominal value of the shares purchased, the aggregate amount paid for them and the reasons for the purchase?
Accounts Regulations Sch 7 para 9(e)	- the percentage of called-up share capital represented by the purchased shares?
Accounts Regulations Sch 7 para 9(g)	- where the company has subsequently disposed of any of the purchased shares for money or money's worth, the amount or value of the consideration?
Accounts Regulations Sch 7 para 8(a)	During the financial year did the company acquire any of its own shares, other than by purchase? If so, does the Directors' Report disclose the information required by paragraphs 9(b), (c), (d), (e) and (g) of Schedule 7 to the Accounts Regulations?
Accounts Regulations Sch 7 para 9(c)	During the financial year did the company hold or dispose of any shares in the company that were acquired by it in a previous financial year? If so, does the Directors' Report disclose the information required by paragraphs 9(c), (d), (e) and (g) of Schedule 7 to the Accounts Regulations?
Accounts Regulations Sch 7 para 8(b)	During the financial year were any shares in the company acquired by the company's nominee or by a person with financial assistance from the company, in each case where the company has a beneficial interest in the shares?

	Reference (e.g. page [] / ✓, x, n/a or ?)
	If so, does the Directors' Report disclose the information required by paragraphs 9(b), (c), (d), (e) and (g) of Schedule 7 to the Accounts Regulations?
Accounts Regulations Sch 7 para 8(b)	<p>During the financial year did any person who acquired shares in the company in a previous financial year in its capacity as the company's nominee or with financial assistance from the company hold or dispose of any such shares?</p> <p>If so, does the Directors' Report disclose the information required by paragraphs 9(c), (d), (e) and (g) of Schedule 7 to the Accounts Regulations?</p>
Accounts Regulations Sch 7 para 8(c)	<p>During the financial year did the company obtain or hold a lien or other charge over its own shares?</p> <p>If so, does the Directors' Report disclose the amount of the charge (paragraph 9(f) of Schedule 7 to the Accounts Regulations) and the corresponding information required by paragraphs 9(b), (c), (d), (e) and (g) of that Schedule?</p>

Notes

1. There are two types of "qualifying indemnity provision" - a "qualifying third party indemnity provision" and a "qualifying pensions scheme indemnity provision", as defined at sections 234 and 235. The first type has been discloseable in Directors' Reports for several years. The second type has been permitted (and discloseable) only since 1 October 2007.

The obligation to disclose an indemnity provision of the first type made prior to 1 October 2007 arises under section 309C of the 1985 Act, even though that section has been repealed. This is a consequence of a savings provision in Schedule 3 to the Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

2. To the extent that the requirements of Walker Part V paragraphs 4 (b) and (c) are met by existing market disclosures in respect of debt or equity insurance on public markets, this should be explained with the relevant material made accessible on the company's website; and where compliance with these paragraphs of the Walker Guidelines, in particular in respect of any forward-looking statement, might involve conflict with other regulatory obligations, the reasons for non-compliance should similarly be explained on the company's website.
3. The reference in section 416(1)(b) to "the company" also applies, in the case of a parent company, to "the group" (section 416(2)).
4. "Relevant audit information" means "information needed by the auditor in connection with preparing his report" (section 418(3)).
5. In this context "EU" applies to parties, organisations and independent election candidates that seek public office in any EU Member State and to expenditure incurred in their support or in relation to any referendum held under the laws of an EU Member State.

6. "Non-EU political party" means any political party which carries on, or proposes to carry on, its activities wholly outside EU Member States.
7. A parent company, when calculating the number of its UK employees for the purpose of determining whether it is required by the Accounts Regulations to disclose information relating to employees and disabled persons, is not required to count employees of subsidiaries or of other subsidiary undertakings.
8. The requirement to provide a statement regarding the payment of creditors and the number of 'creditor days' only applies if (i) if the company was a public company at any time during the financial year; or (ii) the company did not qualify as small or medium-sized in relation to the year and was at any time within the year a member of a group of which the parent company was a public company.
9. In this context, a company's "suppliers" means "persons who are or may become its suppliers".
10. There is no requirement for a parent company to disclose information about its subsidiaries' practices and policies for paying suppliers or about their creditor days. In practice, however, some listed companies do so and treat all references in paragraph 12 of Schedule 7 to the Accounts Regulations to "the company" as if they were to "the group".

Notes to the Annual Accounts

This section outlines information required to be included in the notes to the annual accounts by the 2006 Act and the two statutory instruments that require disclosures to be made in the notes - the Auditor Remuneration Regulations and the Accounts Regulations.

This section does not list or summarise any information required to be included in the notes by applicable accounting standards or, in the case of any "Companies Act individual accounts", in their notes by the Accounts Regulations.

Changes since last year

2006 Act

The requirements for disclosing loans and advances made to directors have changed. This year there will be no need to make disclosures in the notes to the annual accounts of the type previously required under the 1985 Act in respect of loans, quasi-loans and other arrangements by group members favouring directors or their connected persons. Instead, a different set of disclosure requirements now apply to directors only, and not to their connected persons.

Auditor Remuneration Regulations

Last year, all remuneration provided to an auditor or to any of its associates for the provision of any services had to be disclosed in the annual accounts.

This year there is no need to disclose remuneration for certain types of services provided to an auditor's "distant" associate, so long as the total remuneration provided for such services to that associate does not exceed £10,000 or, if less, 1 per cent of the total audit remuneration received by the auditor.

Notes to the Accounts - Disclosure Requirements

		Reference (e.g. page [] / ✓, x, n/a or ?)
s.396(4)	<p>If the company's individual accounts are "Companies Act accounts", would disclosure of all matters otherwise required under applicable law and regulations "not be sufficient to give a true and fair view"?</p> <p>If so, do the notes (unless included elsewhere in the annual accounts) contain "the necessary additional information"?</p>	
s.396(5)	<p>If the company's individual accounts are "Companies Act accounts", do "special circumstances" apply such that the annual accounts must "depart" from disclosures otherwise required under applicable law and regulations "to the extent necessary to give a true and fair view"?</p> <p>If so, do the notes contain:</p> <p>(i) particulars of any such departure;</p>	

	Reference (e.g. page [] / ✓, x, n/a or ?)
	(ii) the reasons for it; and
	(iii) its effect?
s.397	If the notes to the "individual" annual accounts have been prepared in accordance with international accounting standards, do they state that such is the case?
s.406	Do the notes to the "group" annual accounts state that those accounts have been prepared in accordance with international accounting standards?
s.410 and s.410(3)(a)	Has the company, in reliance on the "excessive length" exemption at s.410, omitted from the notes information about any subsidiary or other related undertaking? (Note 1) If yes, do the notes include words to the effect that information has been included only in respect of "the undertakings whose results or financial position, in the opinion of the directors, principally affected the figures shown" in the annual accounts (s.410(2)(a))? (Note 2)
Off-Balance Sheet Arrangements	
s.410A	During the financial year has the company or any group undertaking "included in the consolidation" been a party to any material off-balance sheet arrangements? (Note 3) If so, do the notes disclose (so far as necessary or enabling the company/group's financial position to be assessed (s.410A(3)):
s.410A(2)(a)	- the nature and business purpose of the arrangements?
s.410A(2)(b)	- the financial impact of those arrangements?
Employees	
s.411	Do the notes to the annual accounts state:
s.411(1)(a)	- the average number of the company/group's employees during the financial year (calculated on a monthly basis)?
s.411(1)(b)	- the average number of the company/group's employees during the financial year (calculated on a monthly basis - s.411(3) and (4)) "within each category of persons so employed"? (Note 4)

	Reference (e.g. page [] / ✓, x, n/a or ?)
s.411(5)	- the amount for the financial year for each of: <ul style="list-style-type: none"> (i) wages and salaries paid or payable to employees; (ii) social security costs (as defined at s.411(6)) incurred by the company/group on their behalf; and (iii) other pension costs (as defined at s.411(6)) incurred by the company/group on their behalf?
Advances, Credits and Guarantees	
s.413	Do the notes to the annual accounts contain the information required about advances, credits and guarantees subsisting at any time during the financial year (s.413(7)) from or by the company or any other undertaking that was, at any relevant time, its subsidiary undertaking to or for any person who was a director of the company at any time during the financial year? The required information is outlined immediately below. (Note 5)
s.413(8)	If the company is a banking company or a holding company of a credit institution, the required information is: <ul style="list-style-type: none"> - in respect of any credit or advance: the total amounts; and - in respect of any guarantees: the total amounts of maximum liability of the company/group.
s.413(3)	For all other companies, the required information about each credit or advance is:
s.413(3)(a)	- the amount;
s.413(3)(b)	- an indication of interest rate;
s.413(3)(c)	- the main conditions;
s.413(3)(d)	- any amounts repaid,
	together with:
s.413(5)(a)	- the total amount of all advances and credits; and
s.413(5)(b)	- the total amounts repaid.

	Reference (e.g. page [] / ✓, x, n/a or ?)
s.413(4)	For all other companies, the required information about each guarantee is:
s.413(4)(a)	- the main terms;
s.413(4)(b)	- the amount of maximum liability that may be incurred by the company / subsidiary undertaking;
s.413(4)(c)	- any amount paid or liability incurred by the company/subsidiary undertaking for the purpose of fulfilling the guarantee,
	together with:
s.413(5)(b)	- the total amounts of maximum liability that may be incurred by the company / subsidiary undertaking; and
s.413(5)(c)	- the total amounts paid or liability incurred by the company / subsidiary undertaking for the purpose of fulfilling the guarantees.

Preparation of Accounts in Euros

s.469(3)	If amounts in the annual accounts are also shown in euros, is the exchange rate "prevailing on the date to which the balance sheet is made up" disclosed in the notes?
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Revaluation Provisions

s.841	Do the annual accounts contain any provisions which are intended to be "revaluation provisions" and, therefore, are not intended to (or expected) to result in a "realised loss" for the purpose of calculating the company's profits available for distribution? If so, do the notes to the annual accounts contain the statement required by s.841(4)(b)? (Note 6)
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Treatment of Development Costs

s.844	Are "development costs" shown in the annual accounts that the directors have decided, on the grounds of "special circumstances" in accordance with s.844(3)(a), are not to be treated as a "realised loss" or, in the case of an investment company, a "realised revenue loss"? If so, do the notes to the annual accounts:
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	Reference (e.g. page [] / ✓, x, n/a or ?)
	- contain the statement required by s.844(3)(b)?
	- explain the circumstances so relied on by the directors, as required by s.844(3)(c)?
Auditor Remuneration and Liability Limitation Agreements	
Auditor Remuneration Regulations reg 5 (1)(a)	Do the notes disclose the amount of remuneration receivable by the auditor for auditing the annual accounts? (Note 7)
Auditor Remuneration Regulations reg 5(1)(b)	Has any remuneration for the supply to the company or any of its associates of any of the nine other types of services listed at Schedule 2 to the Auditor Remuneration Regulations been receivable in respect of the financial year by (i) the auditor or (ii) any person who was at any time during the financial year the auditor's associate? (Notes 8, 9 and 10) If so, do the notes disclose the total remuneration receivable by:
Auditor Remuneration Regulations reg 5(1)(b) and 5(4)	- the auditor (and, where relevant, its associates) for the supply of each such type of service to any of the company's "associated pension schemes" (if applicable)?
Auditor Remuneration Regulations reg 5(1)(b)(i)	- the auditor (and, where relevant, its associates) for the supply of such services to any of the company's other "associates" or to the company itself?
Auditor Remuneration Regulations reg 5(2)	Does any of the discloseable remuneration for an auditor or its associate include benefits-in-kind? If so, do the notes to the annual accounts disclose the estimated monetary value of those benefits?
Auditor Remuneration Regulations reg 6	Has the company, if a parent, omitted from its individual accounts details of relevant remuneration for any associate of its auditor in reliance on the exemption at paragraph 6(2) of the Auditor Remuneration Regulations? If so, do its individual accounts state that its group accounts are required to comply with paragraph 6(1) of the Auditor Remuneration Regulations? (Note 11)
Auditor Remuneration Regulations reg 8	Is the company a party to a "liability limitation agreement" with an auditor? (Note 12) If so, do the notes disclose:

	Reference (e.g. page [] / ✓, x, n/a or ?)
Auditor Remuneration Regulations reg 8(a)	- the principal terms of the liability limitation agreement? (Note 13)
Auditor Remuneration Regulations reg 8(b)	- the date of the shareholder's resolution under s.536 authorising the agreement or its principal terms (if any)?
Information About Benefits of Directors	
Accounts Regulations reg 8	Do the notes to the annual accounts contain the information about directors' remuneration and benefits required by the Accounts Regulations at Schedule 5, Parts 1 and 2? The required information is:
Accounts Regulations Sch 5 para 1(1)(a)	- the aggregate amount of emoluments paid to or receivable by directors in respect of qualifying services; (Note 14)
Accounts Regulations Sch 5 para 1(1)(c)	- the aggregate of amount of (i) money paid to or receivable by directors under long-term incentive schemes in respect of qualifying services and (ii) net value of assets (other than money and share options) received or receivable by directors under such schemes in respect of such services;
Accounts Regulations Sch 5 para 1(1)(d)	- the aggregate value of company contributions paid, or treated as paid, to a pension scheme in respect of directors' qualifying services ("being contributions by reference to which the rate or amount of any money purchase benefits that may become payable will be calculated");
Accounts Regulations Sch 5 para 1(2)	- the number of directors to whom retirement benefits are accruing in respect of qualifying services under:
Accounts Regulations Sch 5 para 1(2)(a)	(i) money purchase schemes; and
Accounts Regulations Sch 5 para 1(2)(b)	(ii) defined benefit schemes.
	- the number of directors:
Accounts Regulations Sch 5 para 1(3)(b)(i)	(i) who exercised share options; and
Accounts Regulations Sch 5 para 1(3)(b)(ii)	(ii) in respect of whose qualifying services shares were received or receivable under long term incentive schemes. (Note 15)

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 5 para 2(1)	- where the aggregate amounts shown in relation to directors' emoluments and long term incentive schemes total £200,000 or more:
Accounts Regulations Sch 5 para 2(1)	(i) the amount of such sums which is attributable to the highest paid director (including so much of the aggregate amount of company contributions mentioned under para 1(1)(d) as is attributable to such sum);
Accounts Regulations Sch 5 para 2(2)	(ii) the amount at the end of the year of the highest paid director's accrued pension and, where applicable, his accrued lump sum (where "the highest paid director has performed qualifying services during the financial year by reference to which the rate or amount of any defined benefits that may become payable will be calculated");
Accounts Regulations Sch 5 para 2(3)(a)	(iii) whether the highest paid director exercised any share options; and
Accounts Regulations Sch 5 para 2(3)(b)	(iv) whether any shares were received or receivable by the highest paid director in respect of qualifying services under a long term incentive scheme.
Accounts Regulations Sch 5 para 3(1) and (2)	- the aggregate of the amount by which the retirement benefits paid to or receivable by directors and past directors under pension schemes exceeds the retirement benefits to which they were respectively entitled on the later of the date on which the benefits first became payable and 31 March 1997 (Note 16);
Accounts Regulations Sch 5 para 3(4)	- the nature of any non-cash retirement benefit improved in this way and the estimated money value of the improvement;
Accounts Regulations Sch 5 para 4	- the aggregate amount of any compensation, the nature and estimated monetary value of any non-cash benefit, received or receivable by directors or past directors for loss of office which includes compensation:
Accounts Regulations Sch 5 para 4(3)(a)	(i) in consideration for, or in connection with, a person's retirement from office; and
Accounts Regulations Sch 5 para 4(3)(b)	(ii) where such a retirement is occasioned by a breach of the person's contract with the company or with a subsidiary undertaking of the company, payments by way of damages for the breach or any settlement or compromise of any claim in respect of the breach; and

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations Sch 5 para 5	- the aggregate amount of any consideration, including the nature and estimated monetary value of any non-cash benefit, paid to or receivable by any third party in respect of any director's services as a director of the company or any subsidiary.
<p>The information listed or referred to below is required by the Accounts Regulations to be included in the "notes" to the annual accounts unless included elsewhere in that document.</p> <p>It is usual for this information to be included in the "notes".</p>	
<p>Does the company have any subsidiary undertaking or any associated undertaking or any other "related undertaking"? (Note 17)</p>	
Accounts Regulations reg 7(2)	If so, do notes to the annual accounts contain all the information concerning its related undertakings required by the following Parts of Schedule 4 to the Accounts Regulations (unless contained elsewhere or omitted in accordance with regulation 7(3) or s.410(2))? (Note 18)
<p>The Parts relate to:</p>	
All companies	
Accounts Regulations Sch 4, Part 1	The relevant paragraphs (not summarised in the Checklist) are 1 to 9.
Companies not required to produce group accounts	
Accounts Regulations Sch 4, Part 2	The relevant paragraphs (not summarised in the Checklist) are 10 to 14.
Companies required to produce group accounts	
Accounts Regulations Sch 4, Part 3	The relevant paragraphs (not summarised in the Checklist) are 15 to 22.
Banking companies / groups	
Accounts Regulations Sch 4, Part 4	The relevant paragraph (not summarised in the Checklist) is 23. It provides an exemption against disclosing details of certain related undertakings that are not subsidiary undertakings.

	Reference (e.g. page [] / ✓, x, n/a or ?)
Accounts Regulations reg 7(3)	<p>Has the company taken advantage of the exemption from disclosure at regulation 7(3) in respect of any related undertaking established under the law of a country outside the UK or carrying business outside the UK? (Note 19)</p> <p>If yes, do the notes state that the company has taken advantage of the regulation 7(3) exemption, as required by s.409(5)?</p>
	<p>Are the company's individual accounts "Companies Act" accounts?</p> <p>If yes, do the notes to the individual accounts contain all the information required (unless contained elsewhere in the individual accounts) by the following Schedules to the Accounts Regulations?</p> <p>The Schedules relate to:</p>
Banking companies	
Accounts Regulations reg 5 Sch 2, Part 3	The relevant paragraphs (not summarised in the Checklist) are 53 to 99 (Note 20)
Insurance companies	
Accounts Regulations reg 6 Sch 3, Part 3	The relevant paragraphs (not summarised in the Checklist) are 61 to 90 (Note 21)
All other companies (including investment companies)	
Accounts Regulations reg 3 Sch 1, Parts 3 and 4	The relevant paragraphs (not summarised in the Checklist) are 43 to 72 (Part 3) and paragraph 73 (Part 4).
Investment companies	
Accounts Regulations reg 3, Sch 1, Part 5	The relevant paragraphs (not summarised in the Checklist) are 74 and 75.

Notes

1. A company may omit from the notes information about those subsidiary undertakings or other related undertakings to which section 410(2)(a) does not apply on the ground that its inclusion would be of "excessive length" (section 410(1)).
2. A company that takes advantage of the section 410 exemption must annex to its next annual return all details about its related undertakings which (but for the exemption) ought to have been included in the notes (section 410(3)(b)).

3. "Material off-balance sheet arrangements" mean arrangements not reflected in the balance sheet that, at the balance sheet date, give rise to material risks or benefits (section 410A(1)). "Material" is not defined.
4. Each "category" of the company/group's employees is to be identified by the directors "having regard to the manner in which the company's activities are organised" (section 411(2)). "Category" is not defined.
5. The section 413 requirements for disclosing advances, credits and guarantees in relation to directors are new. They do not extend to directors' connected persons. They have replaced the disclosure requirements under the 1985 Act in relation to "loans, quasi-loans, guarantees and credit transactions" involving directors or their connected persons to which section 330 of the 1985 Act applied.
6. The statement required by section 841(4)(b) is:
 - (i) that the directors have considered the value of some or all of the fixed assets of the company without actually revaluing them,
 - (ii) that they are satisfied that the aggregate value of those assets at the time of their consideration was not less than the aggregate amount at which they were then stated in the company's accounts, and
 - (iii) that accordingly, by virtue of this subsection, amounts are stated in the accounts on the basis that a revaluation of fixed assets of the company is treated as having taken place at that time."
7. If the company has joint auditors, separate remuneration disclosures are required for each auditor and its associates (regulation 5(5) of the Auditor Remuneration Regulations).
8. In the Auditor Remuneration Regulations, "associate of the company" means (i) any subsidiary undertaking which is a body corporate unless "severe long-term restrictions substantially hinder" the company's exercise of rights over its assets or management, and (ii) any "associated pension scheme" in relation to the company.
9. The auditor services listed in Schedule 2 to the Auditor Remuneration Regulations are (1) statutory audits for associates, (2) other statutory services, (3) taxation, (4) IT, (5) internal audits, (6) valuations and actuarial matters, (7) litigation, (8) recruitment and remuneration, (9) corporate finance transactions, and (10) "all other services".

Remuneration in respect of the last category ("all other services") need not be disclosed if it is below £10,000 or, if less, 1 per cent of "total audit remuneration" for the financial year. This new disclosure exemption, at paragraph 5(6) of the Auditor Remuneration Regulations, applies for financial years that commenced on or after 6 April 2008.
10. "Associate of the auditor" is widely defined at Schedule 1 to the Auditor Remuneration Regulations.
11. A parent company may make all disclosures required under the Auditor Remuneration Regulations in its group accounts only (and not in its individual accounts), so long as the individual accounts state that the group accounts are required to comply with paragraph 6(1). That paragraph requires the parent company to comply with paragraph 5(1)(b) of the Auditor Remuneration Regulations as if the undertakings included in the consolidation of its group accounts were a single company.
12. A "liability limitation agreement" is "an agreement which purports to limit the amount of a liability owed to a company by its auditor in respect of any negligence, default, breach of duty, or breach of trust, occurring in the course of the audit of accounts, of which the auditor may be guilty in relation to the company" (section 534(1)).
13. The "principal terms" of a liability limitation agreement to be disclosed in the notes to the annual accounts are (a) the kind(s) of acts or omissions covered, (b) the financial year to which the agreement relates, and (c) the limit to which the auditor's liability is subject (section 536(4)).

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14. In the Accounts Regulations, “qualifying services” means a director’s services as a director of the company and “his services while director of the company...(a) as director of any of its subsidiary undertakings; or...(b) otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings” (paragraph 15(1) of Schedule 5 to the Accounts Regulations).
15. For the purposes of the Accounts Regulations, “long term incentive scheme” means “an agreement or arrangement (a) under which money or other assets may become receivable by a director and (b) which includes one or more qualifying conditions with respect to service or performance which cannot be fulfilled within a single financial year” (paragraph 11(1) of Schedule 5 to the Accounts Regulations). The following is to be disregarded:
- (i) “bonuses the amount of which falls to be determined by reference to service or performance within a single financial year;
 - (ii) compensation for loss of office, payments for breach of contract and other termination payments; and
 - (iii) retirement benefits.”
- (paragraph 11(2) of Schedule 5 to the Accounts Regulations).
16. Amounts which are covered by the schemes’ normal contribution recommendations and which were paid to or receivable by all members of the scheme on the same basis are to be excluded from the calculation;
17. For the purposes of the Accounts Regulations, “related undertakings”, whilst not defined, include:
- (i) subsidiary undertakings,
 - (ii) associated undertakings,
 - (iii) certain joint ventures,
 - (iv) other undertakings in which the company (or a consolidated undertaking) holds a 20 per cent interest (or more) or in which its interest represents at least 20 per cent of the company’s assets, and
 - (v) certain types of unlimited companies or “qualifying partnerships” of which the company is a member that are subject to the Partnerships and Unlimited Companies (Accounts Regulations) 1993.
18. Schedule 4 to the Accounts Regulations (on “Related undertakings”) applies to all types of accounts - Companies Act individual or group accounts and IAS individual or group accounts.
19. The disclosure exemption at regulation 7(3) allows a company to omit information about a related undertaking established or operating outside the UK which it would otherwise be required to disclose in the notes in accordance with regulation 7(2) and Schedule 4 (excluding paragraphs 3, 7 and 21) if the conditions at section 409(4)(a) are met.
- These conditions are “that in the opinion of the directors of the company, the disclosure would be seriously prejudicial to the business of:
- (i) that undertaking, ...
 - (ii) the company, ...
 - (iii) any of the company’s subsidiary undertakings, ... or

(iv) any other undertaking included in the consolidation”.

20. A banking company preparing group accounts will need to read Part 3 of Schedule 2 to the Accounts Regulations in conjunction with paragraph (2) of regulation 5 on “Companies Act individual accounts: banking companies”.

21. An insurance company preparing group accounts will need to read Part 3 of Schedule 3 to the Accounts Regulations in conjunction with paragraph (2) of regulation 6 on “Companies Act individual accounts: insurance companies”.

Finalising and Publishing the Annual Report

This section deals with the legal requirements to consider when finalising the Annual Report and focuses on its approval, publication and filing with the Registrar of Companies.

	Reference (e.g. page [] / ✓, x, n/a or ?)
ss.414(1) and (2), 433(1) and 446(3)	<p>Have the annual accounts been approved by the board and has the balance sheet been signed on its behalf by a director?</p> <p>Does the balance sheet state the name of the director who signed it?</p>
ss. 419, 422(1), 433(1) and 446(3)	<p>Have the Directors' Report, and any separate corporate governance statement been approved by the board and signed on its behalf by a director or secretary?</p> <p>Do each of them state the name of the director or secretary who signed?</p>
ss.310, 423 and 502(2)	<p>Are copies of the accounts, auditor's reports and any separate corporate governance statement being sent to every member, every debenture-holder and every person entitled to receive notice of general meetings, including the auditor and directors?</p>
2006 Act - Sch 5 para 13(1)	<p>If copies of the accounts, Directors' Report, any separate corporate governance statement and auditor's reports are being sent to intended recipients by being made available on the company's website, is a notification of:</p> <ul style="list-style-type: none"> (a) the presence of the documents on the website; (b) the address of the website; (c) the place on the website where they may be accessed; and (d) how to access the documents, <p>being sent to the intended recipients? (Note 1)</p>
Walker Guidelines Part V para 5(a)	<p>Are arrangements in place for the audited Annual Report to be made readily accessible on the company's website?</p>
Walker Guidelines Part V para 5(b)	<p>Will the Annual Report be made available within six months of the financial year end?</p>

	Reference (e.g. page [] / ✓, x, n/a or ?)
ss.446 and 442(2)(a), The Registrar Rules 2009 and Companies House Guidance (GBA3)	<p>Has a copy of the Annual Report been filed with the Registrar of Companies, within nine months of the financial year end:</p> <p>(a) on A4 size, plain white matt paper between 80 and 100gsm;</p> <p>(b) in black typescript which is clear, legible and of uniform density;</p> <p>(c) without pictures or shading;</p> <p>(d) with a balance sheet signed by a director on behalf of the board;</p> <p>(e) with a copy of the Directors' Report and any separate corporate governance statement, each signed by a director or the secretary on behalf of the board;</p> <p>(f) with a copy of the auditor's reports, stating the name of the auditor and signed by it; and</p> <p>(g) showing the name and registered number of the company on either the balance sheet, Directors' Report or auditor's reports? (Note 2)</p>

Notes

1. A company can only publish its Annual Report by making it available on its website for those members who have agreed or are deemed to have agreed to receive them in that way. If the Annual Report is being made available by means of a website, it must be available in a form which will enable the recipient to read it and retain a copy (paragraph 12 of Schedule 5 to the 2006 Act). For further recommendations as to best practice, see the Institute of Chartered Secretaries and Administrators (ICSA) 'Guidance on Electronic Communications with Shareholders 2007' which is available in the guidance section of the ICSA website.
2. Unless the exemption in section 506 applies, an audit report must state not only the name of the firm of auditors but also the name of the person that signed it in the capacity of "senior statutory auditor" (section 447(4)(a)).

Note also that typewritten statements will not be accepted as "signatures" by Companies House - (see Companies House publication: "Accounts and Accounting Reference Dates, GBA3, November 2009). Somewhat at odds with the 2006 Act, Companies House also ask that the company number is placed in the top right-hand corner of the first page. The most common reason for accounts being rejected each year is due to legibility and poor copy quality with the submission of glossy accounts for filing being mainly responsible for this. Companies House state that: "a typed, unbound version of a printer's proof is ideal, provided it has the necessary signatures".

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PROVISION OF DATA TO THE BVCA

A key issue identified by the Walker Report was the need to promote better understanding of how private equity operates and its contribution to the UK economy. Use of the recommendations of the review is that portfolio companies should contribute data to the BVCA (or to a professional firm acting on its behalf) as input to the enhanced industry – wide data aggregation and analysis junction. The intention is that this will help increase understanding of how the large buyout end of the industry operates and its potential economic contribution, representing a major building block towards achieving wider acknowledgement of the social and economic legitimacy of private equity.

✓

Walker Guidelines Part V para 6	Has data been provided to the BVCA (or a professional firm acting on its behalf) in relation to the previous calendar or company accounting year on: <ul style="list-style-type: none">- trading performance, including revenue and operating earnings;- employment;- capital structure;- investment in working and fixed capital and expenditure on research and development; and- such other data as may be requested by the BVCA after due consultation and where this can be made available without imposing material further cost on the company?
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If you have any queries in relation to this Checklist, or the subject matter it covers, please contact:

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