

Alun Michael, Minister of State for Industry and the Regions, stated in an answer (tabled on Wednesday 1 February, 2006) to a Parliamentary Question that the Government has decided to widen its current consultation on company narrative reporting requirements.

For further details see <http://www.dti.gov.uk/cld/hottopics.htm>

The Government has decided to widen its current consultation on company narrative reporting requirements. This will ensure that all points of view and relevant up-to-date evidence are taken into account whilst the current Company Law Reform Bill is going through Parliament.

The Government took the decision in November 2005 to repeal the mandatory requirement on quoted companies to prepare an Operating and Financial Review (OFR) as contained in the OFR regulations so that they are required to prepare a Business Review instead. This decision was made in the light of the Government's strong commitment to sustainable development, strategic forward-looking narrative reporting and its policy of not imposing unnecessary burdens on UK companies, and taking into account the large body of evidence from previous consultations on narrative reporting.

Chapter 6 of Part 15 of the Company Law Reform Bill contains provisions relating to narrative reporting by companies. The Government is now inviting comments on any considerations which Ministers should take into account in deciding whether, and if so how, to frame amendments to these or other provisions of the Company Law Reform Bill to ensure effective forward looking narrative reporting by quoted companies, including, where appropriate, on social, community, employee and environmental matters. The consultation is therefore extended to invite views from all stakeholders on the full range of options for reporting, including matters previously contained within Schedule 7ZA of the Companies Act 1985 and within the Accounts Modernisation Directive (2003/51/EC), and any other matters relevant to narrative reporting.

The Government will also consider in light of responses to this consultation whether existing business reporting requirements should be amended by regulations under secondary legislation as an interim measure before the new Bill comes into force. For the avoidance of doubt, however, no such changes would apply to financial reporting periods which had commenced before any new regulations had been passed. This is to ensure that companies have certainty as to their current legal reporting obligations and have adequate time to prepare for any changes.

The closing date for responses to this consultation is 24 March 2006. The Government is keen to ensure conclusions can be reached in a timescale which allows any resulting policy changes to be introduced and debated during the appropriate Parliamentary stages of the current Bill.

The Government has already issued an invitation for views on narrative reporting on a more limited basis (my statement of 15 December 2005, Hansard Volume No. 440,

Part No. 85, Column 177WS). Comments already received as a result of that invitation will be taken into account in this wider consultation exercise. Those who have already expressed a view are welcome to submit further comments should they so wish.