

PRESS RELEASE

**Issued on behalf of the
Operating and Financial Review (OFR) Working Group on Materiality**

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OPERATING AND FINANCIAL REVIEW WORKING GROUP LAUNCHES CONSULTATION DOCUMENT

The OFR Working Group, which has been asked by the Government to help in the process of providing guidance to directors on how to prepare their Operating and Financial Reviews, today issued their Consultation Document on the key issue of materiality in the context of the OFR.

The Government's White Paper "Modernising Company Law", published in July last year, proposed that UK companies over a certain size should be required to publish an OFR. It will be for directors to decide precisely what information is material to their particular business and should therefore be published in their OFR. The Working Group has been asked to provide guidance on how directors can assess what is material.

The proposals in the Consultation Document cover:

- the concept and definition of materiality;
- the principles to be applied by directors in reaching their judgements on materiality; and
- the process directors should go through in deciding what should be included in their OFR.

Rosemary Radcliffe, Chairman of the Group, said:

“We believe the OFR has the capacity to reshape and refocus corporate reporting to the benefit not only of shareholders but all other stakeholders. Directors’ judgements as to what is and is not material will be fundamental to the scope and coverage of their OFR, so the question of materiality is a real and practical one for business.

We have drawn up this Consultation Document to set out our ideas. Now we want input on them during the consultation phase. We hope organisations and individuals will not only let us have their views but will be willing to test our ideas against their own experience and feed back the results to us.”

The formal consultation period will extend from Friday, 27 June 2003, the date of the launch of the consultation document, to Friday, 19 September 2003. The Group will then prepare a Final Report, which they aim to publish early in December 2003.

Notes to Editors

1. The consultation document will be available at www.dti.gov.uk/cld/financialreview.htm
2. The Working Group was formed in December 2002. The Government announced that it would establish the Group in its White Paper “Modernising Company Law”, published in July 2002 (www.dti.gov.uk/cld). The Group’s membership can be found on www.dti.gov.uk/cld/financialreview.htm together with a copy of the consultation document.
3. The White Paper accepted the Company Law Review recommendation that economically significant companies be required to prepare an OFR. The OFR is to provide a discussion and analysis of the performance of the business and the main trends and factors underlying the results and financial position and likely to affect performance in the future, so as to enable the members of the company to make an informed assessment of the company’s operations, financial position and future business strategies and prospects. It will be for the directors to decide what information is necessary for an informed assessment of the business.
4. The Working Group can be contacted by email on ofrworkinggroup@dti.gsi.gov.uk.

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