

Operating and Financial Review Working Group Terms of Reference

Background

- 1.1 The White Paper “Modernising Company Law”, published in July 2002, accepted the CLR recommendation that economically significant companies be required to prepare an Operating and Financial Review (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.
- 1.2 It will be for the directors to decide what information is necessary for an informed assessment of the business. However, the Bill will make the directors responsible for how these factors are covered in the OFR. The Government announced in the White Paper that it would establish an independent group of experts to help in the process of providing guidance on how directors can assess whether an item is material to their company and hence must be included in an OFR. When the new arrangements are fully in force, this will become the responsibility of the new Standards Board.

Remit

- 2.1 The working group will develop broad principles and practical guidance on how directors can assess whether an item is material to their company and hence whether it must be included in an OFR. This will include the company’s impact on the environment and the wider community, but the same broad approach to materiality is required across all the subject matter of the OFR.
- 2.2 The working group will determine how to achieve this, including the scope of their consultations.
- 2.3 The working group should aim to report by September 2003.

People

- 3.1 The working group will be a small independent group made up of potential compilers, checkers and users of the OFR.