



corporate | communicating with your accounts

the team



Ian Daniels
partner
020 7969 5502
idaniels@haysmacintyre.com



Ian Cliffe
partner
020 7969 5531
icliffe@haysmacintyre.com



David Cox
partner
020 7969 5564
dcox@haysmacintyre.com

How often have you thought or said “we need to find out a bit more about X, let’s look at their accounts”?

Accounts are often one of the first contacts people have with an organisation and they portray an impression whether positive, negative or neutral. In recent years there has been a significant change in reporting such that today’s financial statements are often an amalgam of financial and corporate reporting. For some the financial statements will be seen purely as a statutory requirement where the minimum required reporting is all that will matter, but others will seize the chance to use the accounts as a positive communication piece. For those that want to use their accounts in this way what can be done?

operating and financial reviews (OFRs)

OFRs are commonplace in listed vehicles but these do not need to be the preserve of such entities. An OFR can provide readers with added insight into the entity and assist readers to understand what the entity is really about. Through the OFR the governance body, whether that is a board of directors, trustees or similar, can report to the stakeholders a wide range of salient information such as:

- their analysis of the performance of the business and explanations for variances from previous commentaries and expectations;
- an explanation of key performance indicators;
- a commentary on how the wider economy impacts on the entity’s operations;
- their overall strategy for the business;
- an explanation of the business model adopted;
- the manner in which governance is exercised and controlled;
- a statement, explanation and commentary on any corporate responsibility statement;
- the risks facing the entity, whether internal or external, and how these are managed and controlled;
- the entity’s financial performance during the year and its position at the year end;

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- its policies towards financial management such as hedging, trading terms, currency and interest rate exposure;
 - comparison and explanation to relevant benchmark figures;
 - its people proposition and performance;
 - health and safety issues and approaches taken;
 - its policy towards and its actions on social responsibility, including, for instance, energy consumption, recycling and other green targets; and
 - the entity's outlook.

What an OFR includes will vary between entities but, in short, the OFR gives the Board an opportunity to provide a fuller commentary to the readers, to explain and interpret the numbers in a verbal rather than a numerical fashion and to "add colour" to them. Above all the OFR should be consistent, coherent and balanced incorporating the good and the bad, successes and failures.

committee reports

Increasingly, entities are setting up separate committees to take responsibility for certain parts of an organisation. Audit, nomination, finance, investment, remuneration and risk committees are frequent examples but what exists will depend upon the size and nature of the entity.

The annual accounts give the opportunity to communicate information on the workings of such committees such as:

- its membership;
- its terms of reference and responsibilities;
- the number of meetings held in the year and the attendance by each member;
- the policies and approaches adopted by the committee in discharging its responsibilities, including explaining any external consultants used;
- key performance indicators and benchmark material, or similar, which the committee uses in undertaking its role;
- its work programme during the year and for the future; and
- current issues it is considering.

Where committees, other than the overall governing board, exist it will be useful to explain how matters are co-ordinated between the committees and the overall body of governance.

method of communicating

Your accounts will be read by a range of people. Some will be happy analysing the financial statements and “raw numbers” but others will be less comfortable and, quite possibly, will have a non financial background. The different preferences of readers should be borne in mind when developing a communication strategy with the accounts. Presenting information and trends in graphs and pictures will resonate with readers who prefer to see visual images. Therefore to communicate with as wide a range of readers as possible a mixture of formats is useful; tables of numbers, graphs and pictures will allow you to get your message across to a wider audience.

Wherever possible jargon should be avoided, or where it is used should be explained in layman’s terms.

other useful information

The accounts can also be used as a source of other useful information to its readers. This might involve including a five year summary of performance and key performance indicators, useful website addresses, a diary of key events for the entity and contact details.

With the Bribery Act 2010 coming into force on 1 July 2011 entities may want to add details of a whistle blowing policy contact to the accounts.

haysmacintyre
Fairfax House
15 Fulwood Place
London
WC1V 6AY

t 020 7969 5500
f 020 7969 5600
e marketing@haysmacintyre.com
w www.haysmacintyre.com
 @haysmacintyre

about haysmacintyre

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Around 50% of the firm's business is within the corporate sector – small and medium sized enterprises, many of which are within the property, hospitality, creative industries, financial services, motor trade and manufacturing sectors; over 35% is for charitable and not for profit organisations and the remainder is for professional practices and private individuals. haysmacintyre acts for a number of listed companies and assists many new companies achieve initial fundings and listings on the capital markets.

haysmacintyre is a founding member of MSI Global Alliance (MSI), an international alliance of independent legal and accounting firms, with 250 members in 100 countries.



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