

Tunde Idowu
Department of Trade and Industry
1 Victoria Street, Bay 558
London
SW1H 0ET

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Our ref: 79/BC/MJC11768

Direct line: 020 7893 2110
E-mail: peter.chidgey@bdo.co.uk

Dear Sir

Business reporting - A consultation on narrative reporting requirements for companies

We thank you for the opportunity to express our views 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'.

We support the withdrawal of the statutory requirement for an OFR for quoted companies. As we noted in our response of 10 August 2004 on the original draft OFR regulations we 'would prefer to see the requirements for an OFR addressed in the rules of the particular market. Such an approach is more likely to be capable of changing on a timely basis to reflect market needs.'

We do not support reintroducing a requirement for an OFR through the Company Law Reform Bill. Chapter 6 of Part 15 of the Bill is based on now redundant legislation (the original OFR Regulation SI 2005/1011) and should be removed.

We are concerned that comments since the repeal of the OFR regulations are giving rise to an expectation gap as regards the content of the Business Review required under section 234ZZB of the Companies Act 1985. All companies other than those that qualify as small will be required to produce such a review for periods beginning on or after 1 April 2005. Suggestions that it will provide almost the same information as an OFR are unhelpful.

It is unclear why the DTIs 'Guidance on the changes to the Directors' Report requirements in the Companies Act 1985' in commenting on the one exemption for medium-sized companies (non-financial KPIs) says 'However, even if not required to include such analysis, medium-sized companies are strongly encouraged to report, where appropriate, on these issues voluntarily in recognition of the benefits such disclosure brings to the operation of the business'. If such disclosure does bring benefits then companies will choose to give it. However, companies should assess those benefits. In some cases, for example privately owned medium sized entities, the benefits might not be sufficient to outweigh the costs. We do not believe DTI guidance should put pressure on companies to disregard an exemption in such a manner.

We hope that the above comments are of assistance. If you wish to discuss any of the points raised in our submission please contact Peter Chidgey on 020 7893 2110.

Yours faithfully

BDO Stoy Hayward LLP