

Guidance note

Contents list for the annual report of a UK company

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Introduction

ICSA has produced this simple contents list for company annual reports, to assist those preparing reports. This guidance should be regarded as an indicative framework, rather than a rigid template. It is not intended to be prescriptive, nor is it intended to be a comprehensive list of all legal and regulatory requirements. It also excludes a list of contents for the financial statements. It does not replace legal or other professional advice.

The primary purpose of the annual report is to explain to shareholders and other investors how the company has performed over the past year, and how it generates and/or preserves value over the longer-term. The placement of information in the annual report is, to a great extent, at the discretion of the company and the report should be structured in a way that a company considers best tells its own story and facilitates the communication of the information contained in it. It should set out the company's vision, values and governance philosophy, as well as demonstrating the sustainability of the strategy for the past, present and future development of the business including business model and associated risk. It should evidence the quality of decision-making and provide meaningful and reliable information to investors.

This contents list has been compiled with the assistance of a number of experienced company secretaries from quoted companies and is intended to be a helpful starting point for companies to adapt to suit their specific circumstances. It is primarily intended for UK quoted companies but is useful for all companies.

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the ICSA information centre: **020 7612 7035** | informationcentre@icsa.org.uk

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Annual report contents

The annual report and accounts, taken as a whole, should be fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.¹

1 Highlights

- Financial highlights
- Summary of objectives, strategy and business model, KPIs, strategic risk management

Narrative report

2 Strategic report²

The purpose of the strategic report is to inform members and help them assess how the directors have performed their duty to promote the success of the company.³ It must be approved by the board, signed separately and filed with the Registrar of Companies.⁴ The strategic report should include:

- a fair, balanced, comprehensive and understandable⁵ review, consistent with the size and complexity of the business, including an analysis of:
 - (a) the development and performance of the company's business during the financial year⁶
 - (b) the position of the company at the end of the year⁷ and
 - (c) Key Performance Indicators (KPIs): both financial⁸ and non-financial⁹

Unless stated otherwise, all references are to the Companies Act 2006 as amended to date (in particular as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2008, referred to in this note as "the 2008 Regulations").

1 UK Corporate Governance Code Provision C.1.1

2 except for small companies: s414A(2) and 414B

3 s414C(1)

4 the strategic report is also covered by the directors' liability 'safe harbour' provisions under s463

5 s414C(2)(a); s414C(3) and UK Corporate Governance Code provision C.1.1

6 s414C(3)(a)

7 s414C(3)(b)

8 s414C(4)(a)

9 s414C(4)(b) including environmental and employee matters for large companies

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- a description of the principal risks and uncertainties facing the company¹⁰ and a report on the risks including:
 - (a) confirmation by the directors that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; a description of those risk and explanation of how they are being managed or mitigated¹¹
 - (b) an explanation of how the directors have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate; and whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary¹² (otherwise referred to as the viability statement)
 - (c) a report on the board's review of the effectiveness of the company's risk management and internal control systems¹³

- a description of the company's:
 - (a) principal objectives
 - (b) strategy¹⁴ and
 - (c) business model¹⁵ and linkage to, and discussion of, KPIs¹⁶

- analysis of the development and performance of the business in the financial year and of its position at the end of the year¹⁷

- trends and factors likely to affect the future development, performance or position of the business, to the extent necessary for an understanding of the business¹⁸

10 s414C(2)(b)

11 UK Corporate Governance Code Provision C.2.1

12 UK Corporate Governance Code Provision C.2.2 – effective for company year-ends 30 September 2015

13 UK Corporate Governance Code Provision C.2.3

14 s414C(8)(a)

15 s414C(8)(b)

16 s414C(4) and (5) (Note non-financial KPIs are not required for medium-sized companies s414C(6))

17 s414C(3)

18 s414C(7)(a)

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- a statement by the directors of whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements, identifying any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements¹⁹
- if applicable, details of strategically important matters on sustainability, ethics, values and/or corporate social responsibility
- information on environmental matters; employees; and social, community and human rights issues, to the extent necessary for an understanding of the development, performance or position of the company's business, or a statement that the information has not been included, including which of the three types of information has not been included²⁰
- information as at the year end about the gender diversity²¹ of
 - (a) directors²²
 - (b) senior managers²³ and
 - (c) employees, in the group as a whole
- any matter that is considered to be of strategic importance, which is also required to be included in the directors' report²⁴
- any additional explanations of amounts included in the company's annual accounts²⁵

Supplementary material to be provided with the strategic report when it is used as a replacement to summary financial statements:²⁶

- a statement that the strategic report forms part of the annual report and information on how recipients can obtain a copy of the full annual report
- a statement as to whether the auditor's report was qualified or unqualified, and further information if the auditor's report was qualified
- a copy of the section of the directors' remuneration report that sets out the single figure total in respect of directors' pay

19 UK Corporate Governance Code Provision C.1.3

20 s414C(7)(b)(i)(ii)&(iii) – for quoted companies

21 s414C(8)(c), (9) and (10) – for quoted companies

22 i.e. directors of the company or the parent company of a group

23 an employee who has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, including directors of companies consolidated within a group

24 s414C(11)

25 s414C(12)

26 for quoted companies

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2.1 Chairman's statement

- results and dividend
- overview of trading and the business including management, succession planning, diversity and values
- governance overview including the impact of governance and risk management processes
- comments on corporate responsibility, sustainability and communities
- commentary on markets and the environment
- outlook statement

2.2 Chief executive's review

- commentary on markets and the environment
- detailed commentary on the business
- commentary on KPIs
- commentary on management of assets
- outlook statement

2.3 Chief financial officer's review

If companies wish to include a CFO review this might include commentary on the financial results, dividends, balance sheet, capital position and going concern.

2.4 Directors' report²⁷

- the names of all directors during the financial year²⁸
- the amount of dividend, if any, recommended by the directors²⁹
- a statement of any qualifying indemnity provisions for the benefit of any directors (or directors of associated companies) during the financial year³⁰
- a statement confirming that all relevant audit information has been provided to the company's auditor³¹
- if applicable, a statement that the strategic report includes information required by the 2008 Regulations³² to be included, and an indication as to which information this applies

27 s415 Note that companies are no longer required to disclose (a): the principal activities of the group; (b) policy and practice on payment of creditors; (c) charitable donations over £2,000; and (d) the difference between the market value and balance sheet value of land.

28 s416(1)

29 s416(3)

30 s236

31 s418(2)

32 see note above footnotes on page 3

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- a report on the annual quantity of greenhouse gas emissions from activities for which the company is responsible³³
- if applicable, a prominent statement that advantage has been taken of the small companies' exemption³⁴
- information on political donations totaling in excess of £2,000³⁵
- unless not material, financial risk management objectives and policies³⁶ and exposure to price, credit, liquidity and cash flow risk³⁷
- details of any post year-end important events affecting the company or group³⁸
- likely future developments in the business,³⁹ research and development⁴⁰ and details of branches outside UK⁴¹
- information on acquisition of own shares⁴²
- the company's policy on employment of disabled persons⁴³
- a description of actions in relation to employees⁴⁴
- information on company's capital and holders of securities and agreements in relation to change of control/takeover⁴⁵
- going concern statement (if not included in the strategic report)
- directors' interests
- share capital
- voting rights
- disclosure of major shareholders (holding over 3%)
- directors' responsibilities statement
- auditor's independence statement
- details of the annual general meeting and a link to the AGM notice on the company's website
- a statement of approval by the board and signed on behalf of the board⁴⁶

33 for quoted companies 2008 Regulations Sch 7 part 7. This report should include 'the combustion of fuel' and 'the operation of any facility'; and the emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use, to the extent it is practical to obtain the information. Where it is not practical, the report should state what information is not included and why (Part 7 15(2), (3) and (4). Except for the first year, the preceding year's data must be provided for comparison (including at least one ratio of quantifiable factor in relation to the company's activities and comparatives) (Part 7 17 and 18). Details of methodologies used to calculate the information (Part 7 16) and the period over which the company is reporting if different from the period the directors' report is being prepared (Part 7 19).

34 s419(2)

35 other than for wholly owned subsidiaries of UK incorporated companies – 2008 Regulations Sch 7 3(1), (2) & 4(1)

36 2008 Regulations Sch 7 6(1)(a)

37 2008 Regulations Sch 7 6(1)(b)

38 2008 Regulations Sch 7 7(1)(a)

39 2008 Regulations Sch 7 7(1)(b)

40 2008 Regulations Sch 7 7(1)(c)

41 unless unlimited company – 2008 Regulations Sch 7 7(1)(d)

42 2008 Regulations Sch 7 9

43 2008 Regulations Sch 7 10(3) for companies with more than 250 employees

44 2008 Regulations Sch 7 11(3) for companies with more than 250 employees

45 2008 Regulations Sch 7 13(2) and (14) for companies quoted on an EU-regulated market

46 s419(1)

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3 Report on sustainability, ethics, values, and/or corporate and social responsibility

Summary of information contained on the company's website or in a separate report.⁴⁷

4 Board of directors and secretary

Profiles of the board of directors and the secretary and a link to the profiles on the company's website.

5 Corporate governance report

5.1 Corporate governance statement

- introduction by chairman including governance overview and diversity statement
- statement of compliance with UK Corporate Governance Code, or other applicable code, and meaningful explanations of any non-compliance
- information on governance/risk management structures
- report on board responsibilities, activities, attendance etc.
- report on board evaluation and outcomes
- report on each committee including letter from committee chairman, committee responsibilities, activities, attendance etc, and reporting by the audit committee on judgements taken on significant issues, their assessment of the performance of the external audit process; and impairment assumptions.

5.2 Directors' remuneration report (for quoted companies)⁴⁸

- statement by the chairman of remuneration committee including key messages on remuneration, showing clear link to strategy, the context of decisions taken and major changes during the year⁴⁹
- single total figure of remuneration for each director, set out in the required table and with required comparator figures (except in the first year), explanatory notes and graphs⁵⁰

⁴⁷ Information in this section that is relevant to strategy should be included in the strategic report

⁴⁸ ss420–422A Detailed guidance on Directors' Remuneration Reporting can be found at <http://uk.practicallaw.com/groups/uk-gc100-investor-group>

⁴⁹ 2008 Regulations Sch 8 part 2

⁵⁰ 2008 Regulations Sch 8 part 3

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- details of any payments to past directors⁵¹
- where the directors' remuneration policy is not being put to a resolution at the AGM, performance targets for the financial year in which the meeting is held (unless statement of performance targets was included in the last approved policy), subject to any matter which, if disclosed, would in the opinion of the directors be commercially sensitive to the company⁵²
- details of remuneration committee including members, providers of services, fees paid and assessment of independence⁵³
- a statement of voting on remuneration report and remuneration policy in previous year⁵⁴
- a separate section on remuneration policy⁵⁵ including the required statements; the required table on future policy and explanations of assumptions used; policy on loss of office payments; statement of consideration of pay and employment conditions of employees; and a statement on whether any shareholder views have been taken into account⁵⁶
- Supplementary information and explanations as necessary⁵⁷

6 Independent auditors' report

7 Financial statements

Details of the financial statements are not covered in this list of contents but this section of the annual report should include:

- accounting policies
- consolidated income statement
- consolidated statement of comprehensive income
- statements of financial position (consolidated and company)
- consolidated statement of changes in equity
- company statement of changes in equity
- statement of cash flows (consolidated and company)
- notes to the financial statements
- five year financial summary

51 2008 Regulations Sch 8 part 3 15

52 2008 Regulations Sch 8 part 1 2(5)

53 2008 Regulations Sch 8 part 3 22

54 2008 Regulations Sch 8 part 3 23

55 and any revised policy – 2008 Regulations Sch 8 part 6

56 2008 Regulations Sch 8 part 4 40

57 2008 Regulations Sch 8 part 7

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- 8 Shareholder information
- 9 Financial calendar
- 10 Company information
- 11 Registrar and corporate advisers
- 12 Glossary and reference to online information

Further guidance on the production of the annual report:

[UK Corporate Governance Code](#)

[FRC Guidance on the Strategic Report](#)

[Financial Reporting Lab Guidance on the Reporting of Audit Committees](#)

[GC100 and Investor Group Directors' Remuneration Reporting Guidance and 2014 Statement](#)

[IMA Principles of Remuneration](#)

ICSA would like to thank all those organisations and individuals that have contributed to the formulation of this guidance note with particular thanks to members of the ICSA Company Secretaries Forum for their input.



Trust through governance

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