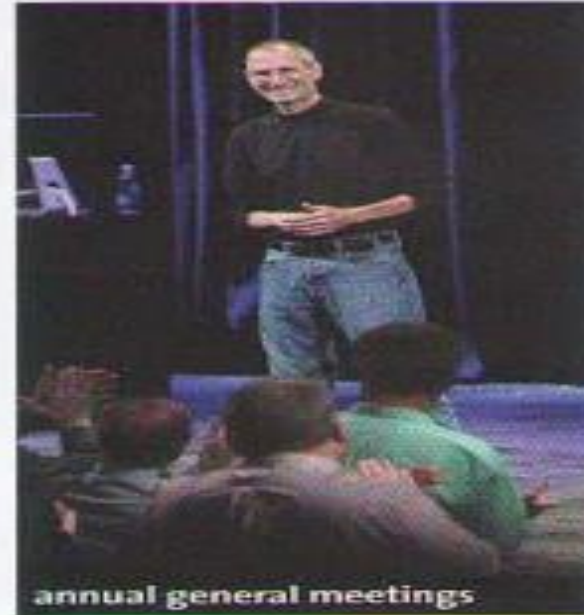




# **COMPANY REPORTING**

# Countdown

- 1 Here are some ways in which companies report to us about their activities. What do you think is the purpose of each of the communications?



**2** Work in pairs. Choose one of the companies below and make a list of things you would like to know if you were

- a shareholder in the company
- an employee
- a green campaigner
- a customer.

1 An oil company, e.g. *Shell*

2 A car manufacturer, e.g. *Chrysler*

3 A tobacco company, e.g. *British American Tobacco*

## Reading

### The annual report

The annual report of a company is a long document that contains a lot of complex information, such as the financial accounts of a company. When you read these documents you need to learn two reading skills:

- 1 How to **skim** articles quickly to find the main themes of each paragraph. A good technique is to read only the first sentence of each paragraph first.
- 2 How to **scan** a text to find facts, such as names, dates, figures, and titles, for example, the amount of profit the company made or the name of the chairman.

Look at the text opposite, which is about how to read annual reports.

## What should I look for in the annual report?

- 1 By law, all public companies have to publish an annual report every year, and to send a copy to all shareholders. The contents are mostly defined by law.
- 2 To see how the company is performing, one good place to start is the chairman's statement, sometimes called 'a letter to shareholders'. It gives a quick view of the company's performance over the last year – often by reviewing the different sectors of the business. At the end of this section there is also an outlook statement: analysts check this to see how confident the board feels about the future.
- 3 In the middle sections of a UK report there is now a section called corporate governance, which explains the way the company is managed by its board of directors and how it follows the codes for good governance. These codes do not have the force of company laws but they are recommendations on how a company should be managed.
- 4 Then there are the statement of directors' responsibilities and the independent auditors' report. The former tells you of the legal responsibilities of the board in preparing the accounts. The latter is of interest to regulators because it gives the opinion of external auditors on the accuracy of the published financial figures.
- 5 At the end of the report, you will always find the financial statements: these contain essential information for investors. If you want to know about the value of the company (its assets and liabilities), you should turn to the balance sheet. However, to see how the company is performing (the profit or loss it is making), you should turn to the income statement and look at the operating profit.
- 6 The financial statements are supported by detailed notes to the accounts. These are of interest to professionals like equity analysts or accountants, who want to see them, as they show how all the figures were calculated.

**1** First skim the text opposite and find out which paragraph contains the information below. Write the paragraph number next to each item.

- how to get an overview of the company's activities ☐
- the financial statements of the company ☐
- the way a company is managed ☐
- the opinion of the auditors ☐
- the notes explaining the accounts ☐
- what the law says a company report has to contain ☐

**2** Now scan the text opposite to identify the titles of the main sections in the annual report (a-g below). With a partner, see who can find and underline all the section titles first.

- a chairman's statement
- b outlook
- c corporate governance
- d statement of directors' responsibilities
- e independent auditor's report
- f financial statements
- g notes to the accounts

**3** Which sections of the report are of most interest to

- 1 a shareholder?
- 2 a regulator?
- 3 an analyst?

Why?

## Speaking

### What should companies include in an annual report?

In many countries today governments are keen to improve the information companies report to the public such as the effects of their activities on the environment, the bonuses they give top management, and the way the companies are managed.

- 1 You have been asked to attend a discussion forum on company reporting to the public. Decide which of the items below you believe companies should be forced by law to publish in their company reports. Tick (✓) the items you think they should publish.

#### Points

- ☐ their policy on health and safety of workers, e.g. accidents, child labour
- ☐ the effect of their activities on the environment, e.g. recycling materials, air travel
- ☐ their use of energy and resources
- ☐ how much their management is paid
- ☐ money they spend on TV commercials and other forms of marketing
- ☐ money they give to political parties
- ☐ statistics on the gender, race, and age of their staff and their recruitment policy
- ☐ risks of investing in their business
- ☐ how they help local communities (e.g. funding of local charities, schemes for employees to do voluntary work)

## It's my job

When a company reports to the public about its activities, it is the role of the company secretary to make sure that the company follows all the laws and regulations that exist for a public company.

- 1 Isabel is a company secretary. Read the interview and underline all the information that describes Isabel's job responsibilities.
- 2 Work in pairs. Look at the expressions taken from a job advertisement for a company secretary. Match the technical words 1–5 with the expressions a–e in **bold** in the text.
  - 1 to take the minutes of the meeting
  - 2 to circulate the agenda.
  - 3 to prepare a press release
  - 4 to keep the shareholder register up to date
  - 5 to file the annual accounts
- 3 Isabel's job is very much about communicating with managers and shareholders. Would you like this job?

## Isabel Mendoza

Job Company secretary, Novespa Mining  
Location Santa Cruz, Patagonia

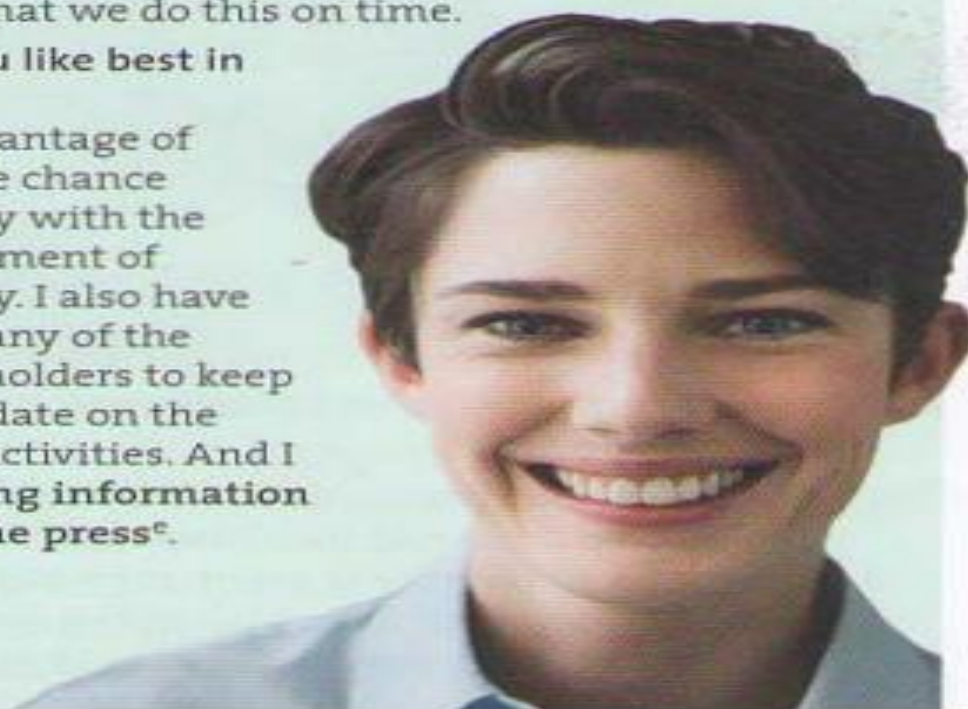
What is a typical day like?

Really there is no typical day. Basically, I have to organize all the meetings of the board and **send people the list of topics they plan to discuss<sup>a</sup>**. As the company secretary, it's my job to **keep the official records of all the discussions and decisions they make<sup>b</sup>**. Then I have to **keep a lot of other records like the list of all directors and shareholders<sup>c</sup>** and make sure we keep them all informed about changes in the company.

By law, a company has to **send its annual reports and accounts to the financial authorities<sup>d</sup>** and it is my job to make sure that we do this on time.

What do you like best in your job?

The real advantage of my job is the chance to work daily with the top management of the company. I also have to talk to many of the main shareholders to keep them up to date on the company's activities. And I like **preparing information to send to the press<sup>e</sup>**.



## Vocabulary

### Forecasting adjectives

When we talk about our expectations for the future we often use different kinds of language to **make forecasts** (= predict what will happen).

- 1 Look at the text below about a company's forecasts. Underline all the **adjectives** that are used to forecast performance. Are they positive or negative?

Looking ahead, the outlook for the Asian market next year looks bright. We have made an encouraging start to the year, sales are expected to grow by 30% and forecasts are promising. Prospects for our new product range are also quite encouraging, especially in the Chinese market.

However, the outlook for the US market is poor. Sales are expected to grow by only 2% and profits are forecast to fall. In Europe too, the current outlook is gloomy. Economies are projected to decline by another 2% next year and forecasts of consumer spending remain bleak. The German market, in particular, looks grim. We expect sales to fall in all major European markets.

- 2 Now complete the table below using the words you have underlined. (Three have been done for you.)

The outlook is	<i>bright</i>	Very positive
	<i>encouraging</i>	Positive
	<i>poor</i>	Negative
		Very negative

## ● Language spot

### Forecasting

Look at these two sentences from the text in *Vocabulary*:

*We expect sales to fall in all major markets.*

*Sales are expected to grow by 30%.*

The first sentence is **active**. The predicting verb can be followed by a verb in the infinitive (with *to*) or by a future verb with *will*.

*We expect sales to fall in all major markets.*

*We expect sales will fall in all major markets.*

The second sentence is **passive**. The predicting verb can only be followed by a verb in the infinitive (with *to*)

*Sales are expected to grow by 30%.*

~~*Sales are expected will grow by 30%.*~~

We can use the verb *forecast* in the same way:

*We forecast sales to fall / will fall in all major markets.*

*Sales are forecast to grow by 30%.*

1 Change the company forecasts below from the active to the passive.

#### EXAMPLE

*We expect the sector to recover next year.*

*The sector is expected to recover next year.*

- a We forecast sales of our new range to be strong.
- b Analysts expect the market will decline by 2%.
- c We expect profits to rise by 20%.
- d We forecast costs will fall over the next quarter.
- e The sales team expect demand will improve.

When we talk about the **probability** of something happening in the future, we can use other expressions.

**2** Look at these comments about the chances of things happening in the future. Match the expressions 1-4 with the probability a-d.

- a certain to happen
- b strong probability
- c low probability
- d zero probability

- 1 Profits **are unlikely** to recover this quarter.
- 2 Prices of raw materials **are bound** to rise.
- 3 There **is no chance** of winning any new contracts before January.
- 4 Growth **should** pick up next year.

**3** Complete the sentences below using the expressions of probability in **2**.

- 1 Our new product range has received great reviews in the press; it \_\_\_\_\_.
- 2 Consumer demand is beginning to improve. Next year, sales \_\_\_\_\_.
- 3 There is a real shortage of steel in the market; prices \_\_\_\_\_.
- 4 Our biggest customer has gone bankrupt; there \_\_\_\_\_.
- 5 Trading in the USA is poor. Profits \_\_\_\_\_.
- 6 The banks have refused to lend us any more money; there \_\_\_\_\_.

## Writing

### A press release

When a company is involved in a news story, it will often issue a press release to journalists, either to attract their attention or to control what information reaches the public.

Read the tips below from a public relations agency about how to create a good press release.

- 1 What do they mean by a 'catchy headline'?
- 2 Why do they advise you to use third-person forms like 'it' and 'they'?
- 3 Why is a quotation important?

### How to write a good press release

- Put a date and time for release of the story.
- Indicate the types of journalist who will be interested in the story and the sector of business.
- Write a 'catchy headline' that will attract attention and use short paragraphs to divide up the text.
- Include a good quotation from the company that journalists can use in quotation marks ('...').
- Use a formal style with the third person 'they', 'she', 'he', and 'it' – not first person pronouns 'I' or 'we'. Keep the language objective and avoid typical sales expressions, like 'amazing' or 'terrific'.
- Keep to the facts and not your impressions. Any conclusions you make need information to support them. Provide sources for information.
- If you use the Internet, include hyperlinks to help the journalist access the information quickly. Links to social websites (e.g. *Twitter*) or to news agencies (e.g. *Reuters*) are also a good idea.
- Include an address and Internet contact.

**A good press release should have the following structure:**  
references

- date for release
- business sector
- for the attention of

story

- headline
- contact address
- story
- links / bookmarks
- quotation

2 Work in pairs. Read the press release below and using the tips in 1 decide what is wrong.

- Is the choice of language appropriate? Underline examples of words you think are too informal and suggest alternatives.
- Does it use third person pronouns?
- Are all the points relevant? Cross out information that is not relevant.
- Does it give good references or contact links?



### **Arno technologies announces amazing new headquarters in Maldevise**

Journalists will be very interested in the news that we have now finished building our headquarters in Maldevise.

The building looks really great and is full of state of the art technology like solar panels and wind turbines for electricity. We are really excited.

The Prime Minister of Maldevise will open the building next week in a cool ceremony. We invite all the press and expect good reports on our wonderful architecture.

We will begin to use the HQ when the builders go. Our boss at Arno says it is a great advance for the company. We will move all the new research plus the sales and marketing department into the building. He says 'we estimate the building will save us \$2m because it has new green technology.'

'We will recruit more young people and train them for good jobs, contributing to the local economy.'

Journalists and the public who are interested can find details if they want to ring the company or look at the website.

We welcome everyone to the ceremony.

## Vocabulary

### A balance sheet

A balance sheet shows us the value of a company at the end of the company's financial year.

On one side of the balance sheet, we find everything the company owns – its **assets**. These are both the things it has invested in, like property and machinery, and the cash they hold. Some of these assets are long-term investments and are difficult to sell quickly; these are described as **fixed assets**. There are other things, like stocks of materials that the company expects to use and to sell quickly, plus cash and debtors; these are described as **current assets**.

On the other side of the balance sheet are the **liabilities**: all the money the company still owes and must pay to other people such as the banks, creditors, and other forms of debt. These are also divided into **short-term liabilities** that the company must pay soon, and **long-term liabilities**, like bank loans and shares issued.

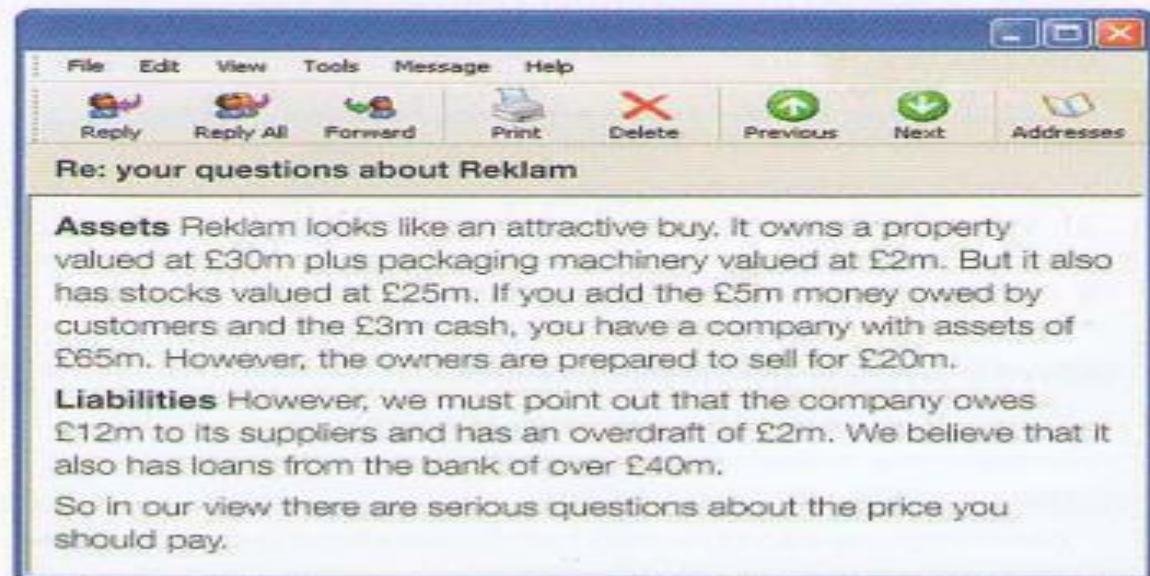
If we put the two sides together, we can see the net value of the company at the date of the balance sheet. As the company is owned by the shareholders, this represents the value of the shareholders' funds.

In the UK, a balance sheet is presented in vertical form.

1 Look at the balance sheet for Reklam opposite and find the accounting expressions for

- 1 the investments made in machinery and property
- 2 the long-term debts of the company
- 3 the value of raw materials and components owned by the company
- 4 the money owed to the company by customers
- 5 the money the company owes on its overdraft and to its suppliers
- 6 the total assets minus the total liabilities.

2 One of Reklam's competitors is thinking of buying the company. Using the information in the email about Reklam, complete the balance sheet below.



## REKLAM

Balance sheet: as at 31 March

FIXED ASSETS \_\_\_\_\_<sup>a</sup> (£m.)

CURRENT ASSETS

stock \_\_\_\_\_<sup>b</sup>

debtors \_\_\_\_\_<sup>c</sup>

cash \_\_\_\_\_<sup>d</sup>

LIABILITIES

current liabilities \_\_\_\_\_<sup>e</sup>

long-term liabilities \_\_\_\_\_<sup>f</sup>

= TOTAL NET ASSETS 11m

CAPITAL AND RESERVES

share capital 8m

reserves 3m

TOTAL SHAREHOLDERS' FUNDS 11m

3 What do you think are the biggest problems Reklam has with its balance sheet?

## Checklist

Assess your progress in this unit. Tick (✓) the statements which are true.

- ☐ I can identify the main sections in an annual report
- ☐ I know the job responsibilities of a company secretary
- ☐ I can explain what happens at an AGM
- ☐ I can make forecasts about the future
- ☐ I can write a press release
- ☐ I can understand the key terms in a balance sheet

## Key words

### Forecasting

bleak  
bound to  
bright  
gloomy  
grim  
outlook  
prospects  
unlikely to

### Accounting

assets  
balance sheet  
code  
creditor  
debtor  
liability  
owe  
own  
regulator

### Reporting

circulate an agenda  
file accounts  
minutes of a meeting  
press release  
profits warning

## Webquest

Go to the home page of a big international bank (e.g. *Barclays Bank*) and find their annual report.

- 1 Scanning** Use the information from your reading about the different sections of an annual report (see *Reading* on p.84) to find the right sections of the report and try to find answers to these questions.
  - 1 How much profit did the bank make last year?
  - 2 How much was the dividend?
  - 3 How many people are there on the board of directors?
  - 4 Who is the chairman?
  - 5 Who are the company's auditors?
- 2 Skimming** Find an example of a recent press release from the bank. Make notes on the key information and report back to the class.