

EFFECTIVE



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Report Leadership is a multi-stakeholder group that aims to challenge established thinking on corporate reporting. The contributors to this initiative are the Chartered Institute of Management Accountants (CIMA), PricewaterhouseCoopers LLP, Radley Yeldar and Tomkins plc.

You can help shape the way that the Report Leadership project evolves by giving your comments, actively participating, or adopting the elements that appeal to you. Please provide any feedback, register your interest and keep up to date with developments at www.reportleadership.com

CIMA

The Chartered Institute of Management Accountants is a leading membership body that offers an internationally recognised professional qualification in management accountancy, which focuses on accounting in business.

PRICEWATERHOUSECOOPERS 

The firms of the PricewaterhouseCoopers global network provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 130,000 people in 148 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

ry. radley yeldar
consistently creative

Radley Yeldar is a creative communications consultancy offering a range of specialist services including brand identity, corporate reporting, corporate responsibility, digital media, internal communications and marketing communications.

Tomkins

Tomkins plc is a global engineering and manufacturing group listed on the London and New York stock exchanges. Tomkins operates over 130 manufacturing facilities, employs some 37,000 people worldwide and had annual sales of approximately £3 billion in 2005.

Corporate reporting should be more informative and accessible.

But can it provide the information investors want without swamping them in unnecessary detail?

The Report Leadership group came together to develop simple, practical ways to improve narrative and financial reporting. This publication outlines our initial thinking, which reflects input and feedback from a range of investors. It is intended to:

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- Help companies to report in ways that are more relevant and informative to their primary audience

 - Encourage investors to push for the information they want

 - Prompt standard setters to consider how they might foster beneficial change

Above all, it is intended to stimulate further debate. We welcome your feedback.

Corporate reporting... rethought

Many investors see corporate reporting like this...

Management spends significant time aggregating and recalculating data from internal sources to construct the information demanded by regulatory reporting.

It is like the creation of a large building, which analysts and investors then spend a lot of time deconstructing so they can see the building blocks.

This process is wasteful and ineffective. So we are developing a better blueprint for corporate reporting that:

-
- Aligns external reporting more closely with management reporting

 - Recognises the complexity of business today

 - Will adapt readily to other media

 - Is relevant and accessible to the investment community

EFFECTIVE COMMUNICATION

MESSAGING

The problem

Companies often bury key messages in text or fail to spell them out at all.

As a result, investors and other audiences may have to read the whole document before they can work out the main issues.

Many reports also give out mixed messages. There are key investment points that a company needs to get across – but other, less crucial themes or transient issues are bolted on to support an attractive design concept.

Clear messaging helps guide the information that readers take from a report – and shape the conclusions that they draw from it.

Some companies still seem to believe that the way to present their investment case is to show a partial picture, or huff and puff. We disagree. If management talk to people as equals, mention the downs as well as the ups, and explain why they believe in the business – investors are more likely to get the message.

What investors want

Clarity.

Messages backed-up by evidence.

Plain speaking.

Plain English.

Balanced discussion of performance.

Reporting should focus on the key points, so that readers can't miss them.

What we've done to make it work

Explained what the group believes are the critical issues, spelling out important messages.

Presented key messages in pull quotes, titles, bullet points, sub-headings etc.

Provided information visually through graphical summaries.

Applied the following golden rules for the text:

- Tell it like it is.
- Explain, don't spin.
- Don't fudge the tricky bits.
- Avoid jargon, unexplained acronyms, formality and pomposity.

55 - Generico Annual report 2007

Notes to the financial statements

for the year ended 31 December 2007

1 Accounting policies

WARNING
THE STATE NOT INCLUDED IN NOTES

Pension

The group operates four defined benefit plans, one in the UK and one in the US. In both plans, assets are set aside in separate trustee administered funds to meet future liabilities. The UK scheme was closed to new members on 1 January 2007.

The group also provides post-employment healthcare benefits to its selected employees in the US. Unlike the pension plans, no assets are set aside in a separate fund to provide for the future liability. In the primary financial statements the following accounting treatment is followed:

Annual costs charged to profit and loss

The annual costs in respect of the pension plans and post-employment healthcare benefits consists of the following:

Current service cost

(Plus) Past service cost

Change in remeasurements

Interest costs

Less: Expected return on plan assets

Change in fair value of net assets

Total pension and healthcare costs

These are included on the profit and loss account and in the cash flow statement. It is shown as a separate line item in the cash flow statement.

Unfunded plans on plan assets

These are only in the assets held by the pension plans. The assets are valued at the end of the reporting period. The assets are valued at the end of the reporting period. The assets are valued at the end of the reporting period.


56 - Generico Annual report 2007

Chief Executive's statement

We had a good year in 2007, but we have the potential to do much better.

We increased revenue by 21% and pre-tax profit by 19%. We maintained the improvement in cash flow. And we increased our share of the European maritime all weather beacon market.

But it would be wrong to imply that everything in the garden is rosy. Of course, we want investors to note our strengths. But our future success will come not just from playing to our strengths, but also by addressing our weaknesses.



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Explanations

A defined benefit plan is a pension plan where the rules of the scheme determine how much pension members will receive during retirement, dependent on a number of factors. The relevant factors in both the Generico schemes are: final salary at retirement age, number of years of service and age at retirement.

Post-employment healthcare benefits are provided to retired employees in North America conditional on the employee having remained in service up to retirement age and the completion of a minimum service period.

The **current service cost** (as calculated by the actuary) is the increase in the **present value of the plan liabilities** and **post-employment healthcare liabilities** resulting from employees' service in the current period.

The **present value of the plan liabilities** is calculated by independent actuaries, WXY partnership, using the **projected unit credit method** by discounting the estimated future cash outflows to their present value.