Letters to the Editor

Dear Sir

The annual reports of AIM companies are of variable quality. The Financial Reporting Council is looking into this, but I want UKSA to bring its influence to bear on the subject too, with public comment on what is good, what is indifferent and what is downright bad.

I am pleased to announce that UKSA member Mark Gahagan has agreed to take the lead in a new project for us, in which selected AIM company annual reports will be assessed for the quality of their reporting to investors. We shall be looking at the clarity of information (text and visual appearance), what it covers and what it does not, whether any key or desirable information is missing and the extent to which the report does or does not give investors the information they are likely to need to form a judgement about the company. We shall give praise or criticism as appropriate, but we will not be expressing an opinion on the suitability of any company as an investment.

Mark has begun his work by looking at ASOS and Ithaca Energy, the top and bottom of the Investors Chronicle top 100 AIM shares last April. He could do with some help, though, so please let him know if you are interested. He would like suggestions as to which companies should receive his attention next (preferably from that top 100 list) and he would be glad to have other members giving him their thoughts on the annual reports we shall be examining.

Members can contact Mark directly on mark.a.gahagan@gmail.com. You can find information about him in *The Private Investor* of November 2014.

Eric Chalker

Dear Sir,

I would hate to do anything to blunt Malcolm Howard's frequent breaths of fresh air which enliven the pages of The Private Investor. But I really can't let him get away with some of the comments in his counter to Eric Chalker's article on the new strategy reporting regulations.

First I would gently tweak Malcolm by commenting that the fact that he himself understood corporate strategy as Business Planning Manager (which he claimed in his letter) is not a sufficient logical basis for deducing that all company directors do so. He seems to think that one follows from the other. I might, if feeling unkind, say that if he as BPM was 'responsible for strategy' as he says, that suggests that the directors felt that they weren't, which rather disproves his point.

Moving on, Malcolm states that there are only two business strategies: 'pile it high and sell it cheap' or 'develop premium products and accordingly premium price'. This just isn't true, though I suppose it might be true for simple businesses with a narrow product range operating in one country and with no ambition to become anything different from what they are. I'm not sure the contra-argument needs spelling out, though Malcolm is welcome, if he likes, to describe how either of his strategies could be useful as a complete strategy statement for any FTSE100 company.

Finally Malcolm opines that the new Companies Act regulations requiring main-market companies to spell out their business strategies are a complete waste of time. 'They will all say the same – that they intend to be the best followed by pages of gobbledegook'. I sympathise with this view, and with his later comment that businesses will reveal as little as possible for commercial reasons; indeed that is precisely the circumstance that Eric has identified (though he expresses it less colourfully). But that is a consequence of the regulations and guidance (as drafted by the Financial Reporting Council), which allow companies to get away with it.

The owners of a business have a right to be told what the managers of that business are trying to do and how they plan to do it. UKSA's complaint, which we will be pursuing, is that a regulation designed to ensure that directors do have a strategy for the business – the premise surely being that in the past directors have been found wanting in this respect – has been obfuscated rather than clarified by FRC "guidance".

John Hunter

Dear Sir

Please pass on my thanks to your contributor, Roy Colbran, for his article on the new Dividend Tax and particularly for signposting the HMRC factsheet on the subject. His article and the factsheet both very useful to me. Keep up the good work!

Anthony Weston Smith