

Insights

UK CORPORATE BRIEFING OCTOBER 2024

Oct 01, 2024

SUMMARY

Welcome to the Corporate Briefing, where we review the latest developments in UK corporate law that you need to know about. In this month's issue we discuss:

FRC Annual Review of Corporate Reporting 2023/24

- The Financial Reporting Council has published its latest review of corporate reporting. The quality of reporting has been maintained across FTSE 350 companies but there is some evidence of a widening gap in reporting quality between companies in the FTSE 350 and other companies.

Boardroom Bellwether 2024 Annual Survey

- The Boardroom Bellwether annual survey has found that British boards are sceptical about stock exchange recovery and UK competitiveness remains a concern.

Updated guidance on payment practices and performance

- The Department of Business and Trade has published updated guidance for companies required to report their payment practices and performance.

FCA annual report

- The FCA annual report contains highlights from 2023/24 and progress towards achieving its three year strategy.

Takeover Panel annual report

- The Takeover Panel published its annual report for the year ending 31 March 2024 which offers a comprehensive analysis of M&A activity and regulatory actions.

LSE Dividend Procedure Timetable

- The dividend procedure timetable for 2025 has been published.

FRC ANNUAL REVIEW OF CORPORATE REPORTING 2023/24

The Financial Reporting Council (“FRC”) has published its [latest review of corporate reporting](#). The quality of reporting has been maintained across FTSE 350 companies but there is some evidence of a widening gap in reporting quality between companies in the FTSE 350 and other companies. Key messages:

- Continued need for improvement in relation to impairment and cash flow statements.
- Clear and consistent disclosure of uncertainties, risks and assumptions remains an area of focus amidst geopolitical tensions and low growth in many economies.
- Climate-related reporting becoming more well-established, but some companies provided disclosures that were unclear in terms of compliance or failed to identify areas of non-compliance and did not explain the steps being taken to address this.
- Good quality reporting does not necessarily require a greater volume of disclosure and the FRC encourage companies to focus on providing material disclosures that are clear, concise and company specific.

A recurring issue raised with companies continues to be the requirement for the strategic report to be fair, balanced, and comprehensive, and for compliance with the distributable profits requirements when paying dividends and repurchasing shares. The FRC queried the lawfulness of dividends that were not supported by the company’s last audited accounts and the required interim accounts had not been filed at Companies House.

By way of a reminder a company may only make a distribution out of its ‘profits available for the purpose’ ie. its accumulated realised profits less its accumulated realised losses, determined by reference to the company’s last annual accounts. But where the company’s last accounts show insufficient profits to permit the payment of a dividend, the company can prepare interim accounts to justify the payment of the dividend provided they meet certain requirements including being delivered to the registrar of companies before the dividend is paid.

Headline expectations for the 2024/25 reporting season include:

- Pre-issuance checks – ensure that the company has a sufficiently robust review process in place to identify common technical compliance issues.

- Risks and uncertainties – ensure clear and consistent disclosures about uncertainty and risk are given that are sufficient for users to understand the positions taken in the financial statements.
- Narrative reporting – ensure the strategic report includes a fair, balanced and comprehensive review of the company’s development, position, performance and future prospects.

BOARDROOM BELLWETHER 2024 ANNUAL SURVEY

The FTSE 350 Boardroom Bellwether annual survey is conducted by the Chartered Governance Institute UK & Ireland. It seeks to gauge the sentiment inside boardrooms including how boards are responding to the challenges of the economy, market conditions and the wider business and governance environment.

Overall the survey results found that business leaders were optimistic about the UK economy but less optimistic about the stock exchange. 53% of business leaders expect the city of London to continue to experience de-listings over the next five years and *“the new government needs to prioritise making UK listed companies attractive to investors in comparison to overseas listings”*.

The fastest growing risk faced by business is cyber risk and 80% of organisations are increasing spending on mitigation in this area.

A recurring theme is over-regulation which can cause a “brake on growth and decision- making” and ESG. According to responses, there are no FTSE boards which have never discussed climate change as opposed to five years ago when almost 1 in 5 boards had not discussed it at all. This demonstrates that boards are increasingly understanding the issues as a business driver.

UPDATED GUIDANCE ON PAYMENT PRACTICES AND PERFORMANCE

The Government has published updated guidance on payment practices and performance which reflects recent changes.

Since 2017, the UK’s largest companies and LLPs have been required to report their payment practices and performance every six months and report this information through an online service provided by the Government.

The regulations were amended in April of this year to extend the regime until April 2031, with a review after five years and to include new provisions which require companies to:

- publish information on the total of payments which are not made within a payment period; and
- to report on the percentage of payments that are not paid within a period due to a dispute.

This is a topical area as the Government has recently [launched](#) a new package of measures aimed at tackling the scourge of late payments and confirmed that enforcement will also be stepped up on these late payment reporting regulations.

FCA ANNUAL REPORT

The FCA's [2023/2024 annual report](#) outlines its progress toward achieving its three-year strategy, focused on creating a financial services environment that benefits both consumers and firms. The key initiatives aim to raise industry standards, protect consumers, and promote competition and innovation.

Key highlights from 2023/24:

- **Consumer Protection:** The FCA removed or amended 10,000 misleading ads (16.6% increase), introduced new crypto asset protections, issued 2,285 warnings about unauthorised firms (21% increase), and saw 63% of consumers contact the FCA about potential scams before investing.
- **Market Integrity:** The FCA cancelled 1,261 firm authorisations (double from last year), imposed a £6.4 million fine for financial crime, and rejected over 87% of crypto registration applications due to poor anti-money laundering controls. The FCA charged 21 individuals with financial crime, froze over £21 million in assets, and set higher standards for firms, with a focus on consumer needs and ESG integration.
- **Competitiveness and Innovation:** 89% of authorisation cases were assessed within statutory deadlines, and the FCA's Digital Sandbox is now a permanent feature, boosting firms' chances of securing funding. Efforts to reduce financial crime and improve consumer redress also continued.

Looking forward, the FCA aims to prepare financial services for the future, strengthen the UK's global market position, and shape digital markets for better outcomes. The Board will continue to work with the FCA's leadership team to frame its strategic direction in a way which will achieve an appropriate alignment between its market integrity objectives and the new secondary objective to facilitate international competitiveness and economic growth.

The FCA has also recently introduced changes to reform the listing regime and it is making significant progress to replace assimilated EU law with FCA domestic regulation.

TAKEOVER PANEL ANNUAL REPORT

The Takeover Panel's [annual report](#) for the year ending 31 March 2024 offers a comprehensive analysis of M&A activity and regulatory actions:

- Notably, M&A volumes showed a steady recovery, with 61 firm offers announced, compared to 48 the previous year—marking the highest figure since 2019-20. Of these, 51 were structured as schemes of arrangement, and 10 as contractual offers.
- The total value of these offers was £28.5 billion, with seven offers exceeding £1 billion, five of which were announced in the final four months of the year. In the first quarter of the new financial year, 19 firm offers were made, collectively worth £16.9 billion, including five exceeding £1 billion.
- A total of 60 offers were resolved during the year, compared to 53 the year before. Four offers were not recommended by the offeree company's board at the time of the firm offer, and for three of these, that position remained unchanged by the end of the offer period. By 31 March 2024, 15 offers were still unresolved.

Regulatory activities during the year included processing Rule 9 waiver applications, handling concert party queries, and overseeing re-registrations. There were 47 Rule 9 waivers in 2023-24, up from 41 in the previous year. The Panel also investigated undisclosed concert parties and breaches of the Code, issuing two private censure letters and one educational/warning letter.

In terms of regulatory developments, the Panel made significant amendments to the Code in 2023-24. Key changes included updates to Rule 21, which clarified restrictions on frustrating actions, and revisions to Practice Statements 5 and 31, addressing competition authority reviews and sale processes. The Panel also issued Bulletin 6, focusing on the role of representative directors, and Bulletin 7, which emphasised the need for specific, rather than generic, disclosures during offers. In October 2023, the Panel completed its transition to a fully digital version of the Code, improving accessibility and functionality for users.

One of the most complex cases handled by the Panel involved breaches of Rule 9 by MWB Group's management. This case was notable for the lengths taken by the parties to conceal violations, which involved offshore companies and deceptive practices. The Panel worked closely with overseas authorities, particularly FINMA in Switzerland, to resolve the matter. As a result, ten individuals were sanctioned with cold-shouldering, and three were ordered to compensate MWB Group shareholders. See [our article](#) on this which first appeared in the September 2024 issue of PLC Magazine.

LSE DIVIDEND PROCEDURE TIMETABLE

The London Stock Exchange (the “Exchange”) has published its [dividend procedure timetable for 2025](#). Companies must follow the guidance when making a dividend announcement. A dividend timetable which follows these guidelines does not need to be notified to the Exchange in advance provided the announcement includes:

- the record and payment dates;

- gross dividends; and
- the availability of any scrip dividend, DRIP or dividend currency option, together with the election date.

RELATED PRACTICE AREAS

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- Corporate
- ESG Governance, Compliance & Reporting

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