



# Companies Act 1985

## 1985 CHAPTER 6

### PART VII

#### ACCOUNTS AND AUDIT

#### CHAPTER I

##### PROVISIONS APPLYING TO COMPANIES GENERALLY

##### *Directors' and auditors' reports*

#### **235 Directors' report**

- (1) In the case of every company there shall for each financial year be prepared a report by the directors—
  - (a) containing a fair review of the development of the business of the company and its subsidiaries during the financial year and of their position at the end of it, and
  - (b) stating the amount (if any) which they recommend should be paid as dividend and the amount (if any) which they propose to carry to reserves.
- (2) The directors' report shall state the names of the persons who, at any time during the financial year, were directors of the company, and the principal activities of the company and its subsidiaries in the course of the year and any significant change in those activities in the year.
- (3) The report shall also state the matters, and give the particulars, required by Part I of Schedule 7 (changes in asset values, directors' shareholdings and other interests, contributions for political and charitable purposes, etc.).
- (4) Part II of Schedule 7 applies as regards the matters to be stated in the directors' report in the circumstances there specified (company acquiring its own shares or a permitted charge on them).

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- (5) Parts III, IV and V of Schedule 7 apply respectively as regards the matters to be stated in the directors' report relative to the employment, training and advancement of disabled persons ; the health, safety and welfare at work of the company's employees; and the involvement of employees in the affairs, policy and performance of the company.
- (6) If the company's individual accounts are accompanied by group accounts which are special category, the directors' report shall, in addition to complying with Schedule 7, also comply with paragraphs 2 to 6 of Schedule 10 (turnover and profitability : size of labour force and wages paid).
- (7) In respect of any failure to comply with the requirements of this Act as to the matters to be stated, and the particulars to be given, in the directors' report, every person who was a director of the company immediately before the end of the relevant period (meaning whatever is under section 242 the period for laying and delivering accounts) is guilty of an offence and liable to a fine.

In proceedings for an offence under this subsection, it is a defence for the person to prove that he took all reasonable steps for securing compliance with the requirements in question.

### **236 Auditors' report**

- (1) A company's auditors shall make a report to its members on the accounts examined by them, and on every balance sheet and profit and loss account, and on all group accounts, copies of which are to be laid before the company in general meeting during the auditors' tenure of office.
- (2) The auditors' report shall state—
  - (a) whether in the auditors' opinion the balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with this Act; and
  - (b) without prejudice to the foregoing, whether in their opinion a true and fair view is given—
    - (i) in the balance sheet, of the state of the company's affairs at the end of the financial year.
    - (ii) in the profit and loss account (if not framed as a consolidated account), of the company's profit or loss for the financial year, and
    - (iii) in the case of group accounts, of the state of affairs and profit or loss of the company and its subsidiaries dealt with by those accounts, so far as concerns members of the company.

### **237 Auditors' duties and powers**

- (1) It is the duty of the company's auditors, in preparing their report, to carry out such investigations as will enable them to form an opinion as to the following matters—
  - (a) whether proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them,
  - (b) whether the company's balance sheet and (if not consolidated) its profit and loss account are in agreement with the accounting records and returns.

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- (2) If the auditors are of opinion that proper accounting records have not been kept, or that proper returns adequate for their audit have not been received from branches not visited by them, or if the balance sheet and (if not consolidated) the profit and loss account are not in agreement with the accounting records and returns, the auditors shall state that fact in their report.
- (3) Every auditor of a company has a right of access at all times to the company's books, accounts and vouchers, and is entitled to require from the company's officers such information and explanations as he thinks necessary for the performance of the auditor's duties.
- (4) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.
- (5) If the requirements of Parts V and VI of Schedule 5 and Parts I to III of Schedule 6 are not complied with in the accounts, it is the auditors' duty to include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.
- (6) It is the auditors' duty to consider whether the information given in the directors' report for the financial year for which the accounts are prepared is consistent with those accounts; and if they are of opinion that it is not, they shall state that fact in their report.