



Companies Act 1985

1985 CHAPTER 6

PART VII

ACCOUNTS AND AUDIT

CHAPTER I

PROVISIONS APPLYING TO COMPANIES GENERALLY

[^{F1} Director's report]

Textual Amendments

- F1** New ss. 234, 234A inserted (subject to the saving and transitional provisions in [S.I. 1990/355, arts. 6–9](#), [Sch. 2](#), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 8\(1\), 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

234 Duty to prepare director's report.

- (1) The directors of a company shall for each financial year prepare a report—
 - (a) containing a fair review of the development of the business of the company and its subsidiary undertakings 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 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 subsidiary undertakings in the course of the year and any significant change in those activities in the year.

Status: Point in time view as at 01/02/1991. This version of this cross heading contains provisions that are not valid for this point in time.

Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Director's report. (See end of Document for details)

- (3) The report shall also comply with Schedule 7 as regards the disclosure of the matters mentioned there.
- (4) In Schedule 7—
- Part I relates to matters of a general nature, including changes in asset values, directors' shareholdings and other interests and contributions for political and charitable purposes,
- Part II relates to the acquisition by a company of its own shares or a charge on them,
- Part III relates to the employment, training and advancement of disabled persons,
- Part IV relates to the health, safety and welfare at work of the company's employees, and
- Part V relates to the involvement of employees in the affairs, policy and performance of the company.
- (5) In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' report and the contents of the report, every person who was a director of the company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.
- (6) In proceedings against a person for an offence under this section it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

Modifications etc. (not altering text)

C1 Ss. 226-237 extended (with modifications) (19.12.1993) by [S.I. 1993/3245, reg.3](#)

C2 S. 234(5) applied with modifications by [S.I. 1990/2570, reg. 5\(2\)](#)

VALID FROM 22/03/2005

234ZZA Directors' report: general requirements

- (1) The directors' report for a financial year must state—
- (a) the names of the persons who, at any time during the financial year, were directors of the company,
 - (b) the principal activities of the company in the course of the year, and
 - (c) the amount (if any) that the directors recommend should be paid by way of dividend.
- (2) In relation to a group directors' report subsection (1)(b) has effect as if the reference to the company was a reference to the company and its subsidiary undertakings included in the consolidation.
- (3) The report must also comply with Schedule 7 as regards the disclosure of the matters mentioned there.
- (4) In Schedule 7—

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Part 1 relates to matters of a general nature, including changes in asset values, directors' shareholdings and other interests and contributions for political and charitable purposes;

Part 2 relates to the acquisition by a company of its own shares or a charge on them;

Part 3 relates to the employment, training and advancement of disabled persons;
Part 5 relates to the involvement of employees in the affairs, policy and performance of the company;

Part 6 relates to the company's policy and practice on the payment of creditors.

VALID FROM 22/03/2005

234ZZB Directors' report: business review

- (1) The directors' report for a financial year must contain—
 - (a) a fair review of the business of the company, and
 - (b) a description of the principal risks and uncertainties facing the company.
- (2) The review required is a balanced and comprehensive analysis of—
 - (a) the development and performance of the business of the company during the financial year, and
 - (b) the position of the company at the end of that year, consistent with the size and complexity of the business.
- (3) The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include—
 - (a) analysis using financial key performance indicators, and
 - (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.
- (4) The review must, where appropriate, include references to, and additional explanations of, amounts included in the annual accounts of the company.
- (5) In this section, “key performance indicators” means factors by reference to which the development, performance or position of the business of the company can be measured effectively.
- (6) In relation to a group directors' report this section has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.

VALID FROM 06/04/2005

234ZA Statement as to disclosure of information to auditors

- (1) This section applies to a directors' report unless the directors have taken advantage of the exemption conferred by section 249A(1) or 249AA(1).

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- (2) The report must contain a statement to the effect that, in the case of each of the persons who are directors at the time when the report is approved under section 234A, the following applies—
- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
 - (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.
- (3) In subsection (2) "relevant audit information" means information needed by the company's auditors in connection with preparing their report.
- (4) For the purposes of subsection (2) a director has taken all the steps that he ought to have taken as a director in order to do the things mentioned in paragraph (b) of that subsection if he has—
- (a) made such enquiries of his fellow directors and of the company's auditors for that purpose, and
 - (b) taken such other steps (if any) for that purpose,
- as were required by his duty as a director of the company to exercise due care, skill and diligence.
- (5) In determining for the purposes of subsection (2) the extent of that duty in the case of a particular director, the following considerations (in particular) are relevant—
- (a) the knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by the director in relation to the company, and
 - (b) (so far as they exceed what may reasonably be so expected) the knowledge, skill and experience that the director in fact has.
- (6) Where a directors' report containing the statement required by subsection (2) is approved under section 234A but the statement is false, every director of the company who—
- (a) knew that the statement was false, or was reckless as to whether it was false, and
 - (b) failed to take reasonable steps to prevent the report from being approved,
- is guilty of an offence and liable to imprisonment or a fine, or both.

[^{F2}234A Approval and signing of directors' report.

- (1) The directors' report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.
- (2) Every copy of the directors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.
- (3) The copy of the directors' report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.
- (4) If a copy of the directors' report—

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- (a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this section or without the required statement of the signatory's name being included, or
- (b) is delivered to the registrar without being signed as required by this section, the company and every officer of it who is in default is guilty of an offence and liable to a fine.]

Textual Amendments

- F2** New ss. 234, 234A inserted (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2, by Companies Act 1989 (c. 40, SIF 27), ss. 1, 8(1), 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

Modifications etc. (not altering text)

- C3** S. 234A applied with modifications by S.I. 1990/2570, reg. 5(1)
S. 234A applied (with modifications) (31.12.2004) by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 (S.I. 2004/3219), reg. 3(4)(a), Sch.
- C4** S. 234A restricted by S.I. 1990/2570, reg. 5(2)
- C5** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3
- C6** S. 234A applied (1.7.2005) by The Community Interest Company Regulations 2005 (S.I. 2005/1788), reg. 29(1)

Status:

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Changes to legislation:

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