
STATUTORY RULES OF NORTHERN IRELAND

2005 No. 61

The Companies (1986 Order) (Operating and Financial Review and Directors' Report etc.) Regulations (Northern Ireland) 2005

PART II

DIRECTORS' REPORT

Duty to prepare directors' report

2. For Article 242 of the 1986 Order (duty to prepare directors' report)(1) substitute –

“DIRECTORS' REPORT

Duty to prepare directors' report

242.—(1) The directors of a company shall for each financial year prepare a report (a “directors' report”) complying with the general requirements of Article 242ZZA, and containing the business review specified in Article 242ZZB.

(2) For a financial year in which –

- (a) the company is a parent company, and
- (b) the directors of the company prepare group accounts,

the directors' report must be a consolidated report (a “group directors' report”) relating, to the extent specified in the following provisions of this Part, to the company and its subsidiary undertakings included in the consolidation.

(3) A group directors' report may, where appropriate, give greater emphasis to the matters that are significant to the company and its subsidiary undertakings included in the consolidation, taken as a whole.

(4) In the case of a quoted company, a directors' report need not contain any information included in the operating and financial review for that financial year (see Article 242AA).

(5) If a directors' report does not comply with the provisions of this Part relating to the preparation and contents of the report, every director of the company who –

- (a) knew that it did not comply or was reckless as to whether it complied, and
- (b) failed to take all reasonable steps to secure compliance with the provision in question,

is guilty of an offence and liable to a fine.

(1) Article 242 was inserted into the 1986 Order by Article 10 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by [S.R. 1997 No. 314](#) and [S.R. 1997 No. 501](#)

Directors' report: general requirements

242ZZA.—(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 paragraph (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 –

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 V relates to the involvement of employees in the affairs, policy and performance of the company;

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

Directors' report: business review

242ZZB.—(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 Article, “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 Article has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.”.

Auditors' report on directors' report

3. In Article 243 of the 1986 Order (auditors' report)(2), for paragraph (3) substitute –
- “(3) The auditors must state in their report whether in their opinion the information given in the directors' report for the financial year for which the annual accounts are prepared is consistent with those accounts.”.

Special provision for small companies

4. For sub-paragraph (a) of Article 254(4) of the 1986 Order (exemptions for small companies from disclosures in directors' report)(3) substitute –
- “(a) Articles 242ZZA(1)(c) (directors' report: amount to be paid as dividend) and 242ZZB (directors' report: business review);”.

Special provision for medium-sized companies

5. After paragraph (2) of Article 254A of the 1986 Order (special provisions for medium-sized companies)(4) insert –
- “(2A) The directors' report for the year need not comply with the requirements of Article 242ZZB(3) (business review to include analysis using key performance indicators) so far as they relate to non-financial information.”.

Cases in which special provisions for small and medium-sized companies do not apply

- 6.—(1) In Article 255A of the 1986 Order (cases in which special provisions in Articles 254 and 254A do not apply)(5), for paragraph (1) substitute –
- “(1) If a company is, or was at any time within the financial year to which the accounts relate, an ineligible company, Articles 254 and 254A do not apply.
- (1A) If a company does not fall within paragraph (1) but is, or was at any time within the financial year to which the accounts relate, a member of an ineligible group –
- (a) Article 254(4) and (5)(b) and Article 254(2A) apply;
- (b) the other provisions of Articles 254 and 254A do not apply.
- (1B) A company is ineligible if –
- (a) it is a public company,
- (b) it has permission under Part IV of the Financial Services and Markets Act 2000 to carry on one or more regulated activities, or
- (c) it carries on an insurance market activity.”.

Amendments to Schedule 7

- 7.—(1) Schedule 7 to the 1986 Order (matters to be dealt with in directors' report) is amended as follows.
- (2) In paragraph 1 (asset values)(6) –

(2) Article 243 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by [S.R. 2004 No. 496](#) and [S.R. 2005 No. 56](#)

(3) Article 254 was inserted into the 1986 Order by Article 15 of the Companies (Northern Ireland) Order 1990, substituted by [S.R. 1997 No. 436](#) and amended by [S.R. 1997 No. 545](#), [S.R. 2001 No. 153](#) and [S.R. 2004 No. 496](#)

(4) Article 254A was inserted into the 1986 Order by [S.R. 1997 No. 436](#), and amended by [S.R. 2004 No. 496](#)

(5) Article 255A was inserted into the 1986 Order by [S.R. 1997 No. 436](#), and amended by [S.I.2001/3649](#)

(6) Paragraph 1 of Schedule 7 was amended by [S.R. 1997 No. 314](#)

- (a) in sub-paragraph (2) omit “or of any of its subsidiary undertakings”, and
- (b) after that sub-paragraph insert –
 - “(3) In relation to a group directors' report sub-paragraph (2) has effect as if the reference to the fixed assets of the company was a reference to the fixed assets of the company and its subsidiary undertakings included in the consolidation.”.
- (3) In paragraph 5A (use of financial instruments)(7) –
 - (a) in sub-paragraph (1) omit –
 - (i) “and by its subsidiary undertakings”, and
 - (ii) “and its subsidiary undertakings included in the consolidation” in each place where it occurs, and
 - (b) after that sub-paragraph insert –
 - “(1A) In relation to a group directors' report sub-paragraph (1) has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.”.
- (4) In paragraph 6 (miscellaneous matters)(8) –
 - (a) make the existing provision sub-paragraph (1),
 - (b) in that sub-paragraph, omit –
 - (i) in head (a), “or any of its subsidiary undertakings”,
 - (ii) in head (b), “and of its subsidiary undertakings”, and
 - (iii) in head (c), “and its subsidiary undertakings”, and
 - (c) after that sub-paragraph insert –
 - “(2) In relation to a group directors' report heads (a), (b) and (c) of sub-paragraph (1) have effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.”.

(7) Paragraph 5A was inserted by [S.R. 2004 No. 496](#)

(8) Paragraph 6 was amended by Article 10(2) of, and paragraph 2(2) of Schedule 5 to, the Companies (Northern Ireland) Order 1990 and by [S.R. 1993 No. 199](#)