Duty to prepare directors' report

(1) The directors of a company must prepare a directors' report for each financial year of the company.

[F1(1A) Subsection (1) does not apply if the company qualifies as a micro-entity (see sections 384A and 384B).]

(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 undertakings included in the consolidation.

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

(4) In the case of failure to comply with the requirement to prepare a directors’ report, an offence is committed by every person who—
   (a) was a director of the company immediately before the end of the period for filing accounts and reports for the financial year in question, and
(b) failed to take all reasonable steps for securing compliance with that requirement.

(5) A person guilty of an offence under this section is liable—

(a) on conviction on indictment, to a fine;
(b) on summary conviction, to a fine not exceeding the statutory maximum.

Textual Amendments

F1 S. 415(1A) inserted (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (S.I. 2015/980), reg. 2(1), 7 (with reg. 3)

Modifications etc. (not altering text)

C1 Ss. 380-416 applied (with modifications) (1.10.2009) by The Unregistered Companies Regulations 2009 (S.I. 2009/2436), regs. 3-5, Sch. 1 para. 10 (with transitional provisions and savings in regs. 7, 9, Sch. 2)

C2 Ss. 415-416 applied (with modifications) by S.I. 2009/2436, Sch 1 para. 10 (as amended (with application in accordance with reg. 1(3) of the amending S.I.) by The Unregistered Companies (Amendment) Regulations 2013 (S.I. 2013/1972), reg. 1(2), 2(2)(a))


Directors' report: small companies exemption

415A (1) A company is entitled to small companies exemption in relation to the directors' report for a financial year if—

(a) it is entitled to prepare accounts for the year in accordance with the small companies regime, or

(b) it would be so entitled but for being or having been a member of an ineligible group.

(2) The exemption is relevant to—

section 416(3) (contents of report: statement of amount recommended by way of dividend), [F3 and]

sections 444 to 446 (filing obligations of different descriptions of company).

Textual Amendments

F2 S. 415A inserted (6.4.2008) by The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (S.I. 2008/393), reg. 6(2)


F4 Words in s. 415A(2) omitted (with effect in accordance with reg. 1(4) of the amending S.I.) by virtue of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (S.I. 2013/1970), reg. 1(2)(3)(b)
416 Contents of directors' report: general

(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, and

(b) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

(2) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

(3) Except in the case of a company \[entitled to the small companies exemption\], the
report must state the amount (if any) that the directors recommend should be paid by
way of dividend.

(4) The Secretary of State may make provision by regulations as to other matters that must
be disclosed in a directors' report.

Without prejudice to the generality of this power, the regulations may make any such
provision as was formerly made by Schedule 7 to the Companies Act 1985.
Commencement Information

S. 416 wholly in force at 6.4.2008; s. 416 not in force at Royal Assent, see s. 1300; s. 416 in force for specified purposes at 20.1.2007 by S.I. 2006/3428, art. 3(3) (subject to art. 5, Sch. 1 and with arts. 6, 8, Sch. 5); s. 416 in force at 6.4.2008 by S.I. 2007/3495, art. 3(1)(d) (with arts. 7, 12, Sch. 4 paras. 6-8).

Contents of directors' report: business review

(1) This section applies to a company unless—
   (a) it is exempt for the financial year in question from the requirements of Part 16 as to audit of accounts, and
   (b) the directors take advantage of that exemption.

(2) The directors' report must contain a statement to the effect that, in the case of each of the persons who are directors at the time the report is approved—
   (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

(3) “Relevant audit information” means information needed by the company's auditor in connection with preparing his report.

(4) A director is regarded as having taken all the steps that he ought to have taken as a director in order to do the things mentioned in subsection (2)(b) 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 are required by his duty as a director of the company to exercise reasonable care, skill and diligence.

(5) Where a directors' report containing the statement required by this section is approved 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, commits an offence.

(6) A person guilty of an offence under subsection (5) is liable—
Changes to legislation: Companies Act 2006, Cross Heading: Directors’ report is up to date with all changes known to be in force on or before 05 January 2020. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

(a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);
(b) on summary conviction—
   (i) in England and Wales, to imprisonment for a term not exceeding twelve months or to a fine not exceeding the statutory maximum (or both);
   (ii) in Scotland or Northern Ireland, to imprisonment for a term not exceeding six months, or to a fine not exceeding the statutory maximum (or both).

419 Approval and signing of directors’ report

(1) The directors' report must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

(2) [F9] If in preparing the report advantage is taken of the small companies exemption[,] it must contain a statement to that effect in a prominent position above the signature.

(3) If a directors' report is approved that does not comply with the requirements of this Act, 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 reasonable steps to secure compliance with those requirements or, as the case may be, to prevent the report from being approved,

   commits an offence.

(4) A person guilty of an offence under this section is liable—
   (a) on conviction on indictment, to a fine;
   (b) on summary conviction, to a fine not exceeding the statutory maximum.

Textual Amendments

F9 Words in s. 419(2) substituted (6.4.2008) by The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (S.I. 2008/393), reg. 6(5)

Modifications etc. (not altering text)

C8 Ss. 418-469 applied (with modifications) (1.10.2009) by The Unregistered Companies Regulations 2009 (S.I. 2009/2436), regs. 3-5, Sch. 1 para. 10 (with transitional provisions and savings in regs. 7, 9, Sch. 2)

C9 Ss. 418-419A applied (with modifications) by S.I. 2009/2436, Sch 1 para. 10 (as amended (with application in accordance with reg. 1(3) of the amending S.I.) by The Unregistered Companies (Amendment) Regulations 2013 (S.I. 2013/1972), regs. 1(2), 2(2)(a))

C10 S. 419 applied (6.4.2008) by S.I. 2005/1788, reg. 29 (as substituted by The Companies Act 2006 (Consequential Amendments etc) Order 2008 (S.I. 2008/948), art. 3(1), Sch. 1 para. 242(4) (with arts. 6, 11, 12))
[F10 419A Approval and signing of separate corporate governance statement

Any separate corporate governance statement must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.]

Textual Amendments

F10 S. 419A inserted (27.6.2009) by The Companies Act 2006 (Accounts, Reports and Audit) Regulations 2009 (S.I. 2009/1581), reg. 2 (with application as stated in reg. 1(3))

Modifications etc. (not altering text)


C12 Ss. 418-469 applied (with modifications) (1.10.2009) by The Unregistered Companies Regulations 2009 (S.I. 2009/2436), regs. 3-5, Sch. 1 para. 10 (with transitional provisions and savings in regs. 7, 9, Sch. 2)

Changes to legislation:
Companies Act 2006, Cross Heading: Directors' report is up to date with all changes known to be in force on or before 05 January 2020. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to:

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 11(1) by S.I. 2013/1971 reg. 9(a) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 3(4) by S.I. 2013/1971 reg. 4 (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):
- Ch. 1 Pt. 28 extended (Isle of Man) (with modifications) by S.I. 2019/567 Sch.
- s. 156A-156C inserted by 2015 c. 26 s. 87(4)
- s. 479A(2)(c)(zi) inserted by S.I. 2019/177 reg. 4(b)(i) (This amendment not applied to legislation.gov.uk. Reg. 4 substituted by regs. 4, 4A immediately before exit day by S.I. 2019/1392, regs. 1(2), 4)
- s. 494ZA(5)(a)(iii)(iv) substituted for s. 494ZA(5)(a)(iii) by S.I. 2019/177 reg. 5(b)
- s. 835E(6) words substituted by S.I. 2019/348 Sch. 1 para. 13
- s. 943(1A) inserted by S.I. 2019/217 reg. 3(b)
- s. 966(3)-(3G) substituted for s. 966(3) by S.I. 2019/217 reg. 7(4)
- s. 1047(4)(ba) inserted by S.I. 2018/348 Sch. 1 para. 14(b)(ii)
- s. 1099(3)(c)(ca) substituted for s. 1099(3)(c) by S.I. 2018/1299 reg. 62(2)
- s. 1253B(1A) inserted by S.I. 2019/177 reg. 18(c)
- s. 1286(1)(c) inserted by S.I. 2018/1299 reg. 62(3)(c)
- Sch 1C applied by 2009/2436 Sch. 1 para 14(A1) (as inserted) by S.I. 2019/217 reg. 20
- Sch. 2 Pt. 2 s. Epara. 5 omitted by S.I. 2019/217 reg. 15
- Sch. 10 para. 20A(1) Sch. 10 para. 20A renumbered as Sch. 10 para. 20A(1) by S.I. 2019/177 reg. 32(a)
- Sch. 10 para. 6(2D) inserted by S.I. 2019/177 reg. 28(e)
- Sch. 10 para. 7(2A) inserted by S.I. 2019/177 reg. 29(b)
- Sch. 10 para. 20A(2) inserted by S.I. 2019/177 reg. 32(h)
- Sch. 10 para. 13(5)(b)(ii)(iii) substituted for Sch. 10 para. 13(5)(b)(ii) by S.I. 2019/177 reg. 30(b)
- Sch. 10 para. 20A(1) words inserted by S.I. 2019/177 reg. 32(b)
- Sch. 10 para. 20A(1) words inserted by S.I. 2019/177 reg. 32(c)
- Sch. 10 para. 20A(1) words omitted by S.I. 2019/177 reg. 32(c)
- Sch. 10 para. 20A(1) words omitted by S.I. 2019/177 reg. 32(g)
- Sch. 10 para. 20A(1) words substituted by S.I. 2019/177 reg. 32(d)(i)
- Sch. 10 para. 20A(1) words substituted by S.I. 2019/177 reg. 32(d)(ii)
- Sch. 10 para. 20A(1) words substituted by S.I. 2019/177 reg. 32(d)(iii)
- Sch. 10 para. 20A(1) words substituted by S.I. 2019/177 reg. 32(f)(i)
- Sch. 10 para. 20A(1) words substituted by S.I. 2019/177 reg. 32(f)(ii)
- Sch. 10 para. 20A(1) words substituted by S.I. 2019/177 reg. 32(f)(iii)
Sch. 11 para. 9(5) inserted by S.I. 2019/177 reg. 34(b)