
Briefing

The Directors' Report:

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The Companies Act 2014 as amended (“the Act”) requires the directors of a company to prepare a report for each financial year (the “Directors’ Report”) as part of its financial statements.

This briefing sets out some of the key statements and information for inclusion in the Directors’ Report (in any particular case, the company size and company type will influence the exact content of the report)¹. A public interest entity and a traded PLC must include additional information in the Directors’ Report.

General matters

The Directors’ Report must include the directors’ names and the principal activities of the company as well as information on the following:

- measures taken to secure compliance with the requirement on the company to keep accounting records;
- dividends;
- research and development activities;
- the existence and location of branches of the company outside the State;
- political donations made;
- any important events affecting the company; and
- (where material) financial instruments used by the company.

¹Under the Companies (Accounting) Act 2017, companies with a financial year beginning on or after 1 January 2017 are subject to amended thresholds for the definitions of “small”, “medium” and “large” companies, as well as the introduction of “micro” companies which will be able to avail of certain exemptions to supplying certain categories of information otherwise required for a Directors’ Report.

A business review

The Directors' Report must include a fair review of the business of the company, and a description of the principal risks and uncertainties facing it. The review must, to the extent necessary for an understanding of the particular matter, include an analysis of financial key performance indicators, and, where appropriate, an analysis using non-financial key performance indicators, including information relating to environmental and employee matters.

Shares

If, at any time during a financial year, shares in the company are held or acquired by the company, or by any subsidiary undertaking of the company, the following information must be included:

- the number and nominal value of such shares at the beginning and end of the financial year, together with the consideration paid for such shares;
- a reconciliation of the number and nominal value of such shares from the beginning of the financial year to the end of the financial year showing all changes during the year;
- the reasons for any acquisitions made during the financial year, and
- the proportion of called-up share capital held at the beginning and end of the financial year.

In respect of every person who was a director or secretary of the company during the financial year, whether or not he or she was, at the beginning or end of that financial year, interested in non-exempted shares or debentures of the company or any group undertaking of that company and the number and amount of such shares or debentures.

Statement on relevant audit information

The Directors' Report must contain a statement that, in the case of each of the persons who are directors at the time the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- the director has taken all steps that ought to have been taken by a director to make himself or herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

Audit committees

Directors of a relevant private company (or a holding company together with all of its subsidiaries) which has a turnover exceeding €50m and a balance sheet total exceeding €25m, must state in their Directors' Report whether the company has established an audit committee or, if it has decided not to do so, the reasons for that decision.

Directors' compliance statement

The directors may be under an obligation to include a directors' compliance statement in the Directors' Report² if the company has a balance sheet total exceeding €12.5m and a turnover exceeding €25m for that financial year. The directors' compliance statement in the Directors' Report must include an acknowledgement that the directors are responsible for securing the company's compliance with its relevant obligations under the Act and tax law, and confirmation that the directors have (or if they have not, a reason for the failure):

- drawn up an appropriate compliance policy statement setting out the company's policies, in respect of the company's compliance with its relevant obligations;
 - put in place appropriate arrangements or structures that are, in the opinion of the directors, designed to secure material compliance with the company's relevant obligations; and
 - conducted a review during that financial year of the effectiveness of those arrangements or structures.
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Approval of Directors' Report

The Directors' Report must be approved by the board of directors and signed on its behalf by two directors, or by a sole director where the company has a sole director.

Holding Company

Where a company is a holding company that has prepared group financial statements, the company must also prepare a Director's Report that is a consolidated report dealing with the company and its subsidiary undertakings taken as a whole.

² The requirement applies to directors of all public limited companies (except investment companies) and, except for unlimited companies, other company types that meet the thresholds.

Further information is available from



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Alternatively, your usual contact in McCann FitzGerald will be happy to help you further.



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Such advice should always be taken before acting on any of the matters discussed.

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