

Annual Report contents and checklists

Guidance note

Contents

Annual Reports – contents and checklists	3
Company annual reports	3
Charity trustees' annual report	10

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact The Chartered Governance Institute information centre: 020 7612 7035 | informationcentre@cgi.org.uk

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Annual Reports – contents and checklists

Note: The following should be read in conjunction with the separate annual accounts checklists. Organisations which are both companies and charities should ensure that they fulfil all reporting requirements applicable to them.

Company annual reports

Introduction

All UK limited companies are required to submit a report to Companies House and to their shareholders/members at least annually, underpinned by the financial statements dated at the end of each financial year of the company.

The contents and format of the financial, non-financial and narrative aspects of the report are determined by the size and nature of the company concerned.

The report is signed by a named director of the company on behalf of each director of the company.

Traditionally, such reports have been viewed as a historic report of the directors as at the year-end date. Driven, at least partly by the strategic report expectations within the Companies Act 2006, reports for all companies except small companies now contain a greater level of strategic projection and commentary from the directors. This, combined with enhanced stakeholder awareness, and the speed of media and social media communication, has led to year-end reports being viewed by many as a future-looking as well as historic report. This perspective has not yet been tested in law.

While there are certain requirements for information to be included in an annual report, it is also a key document for organisations to communicate with their stakeholders, celebrate successes and progress and to demonstrate openness and transparency.

Director checklist

- Understand the reporting requirements for the size of company in which you are a director, remembering that the report is issued in your name.
- Take part in the organisational leadership which leads to the production of the final annual report and accounts – where there is extensive narrative, who is the compiler and author? The call from shareholders/members is for a more focused and combined approach to reporting, not just a series of separate reports.
- It is likely that non-executive directors will place significant responsibility on executive colleagues for the writing, compiling and production of the report and accounts.
- As a director, do you have the opportunity to review financial, non-financial and narrative aspects of the report in sufficient time to enable constructive challenge and input if required?
- Ensure that the final version is debated by all directors during a formal minuted board meeting, and the appropriate resolution is approved to put the report and accounts to the members for approval in the AGM.

Requirements

- Small and micro companies under CA2006:

- minimum financial information of balance sheet at year-end date, with any appropriate notes, and
- short and formulaic directors' report.
- Medium-sized companies under CA2006:
 - more detailed financial information including an income statement and cashflow statement to supplement the balance sheet
 - a directors' report
 - a limited strategic report, and
 - an auditor's report
- Large private companies under CA2006:
 - detailed financial information
 - a directors' report
 - a detailed strategic report, including an increasing range of wider stakeholder and corporate social responsibility (CSR) information, and
 - an auditor's report
- Larger private companies under CA2006 as enhanced by the Companies (Miscellaneous Reporting) Regulations 2018:
 - all the requirements for 'large' companies, and
 - governance reporting using either the Wates principles or an acceptable alternative on an 'apply or explain' basis
- Public listed companies:
 - all the requirements for 'large' companies, and
 - governance and other reporting in accordance with the requirements of the Listing Rules, currently the application of the FRC UK Corporate Governance Code 2018 on a 'comply or explain' basis

Under the Code for Sports Governance, an organisation is required to 'publicly disclose information on its governance, structure, strategy, activities, and financial position, including an annual update on governance, to enable stakeholders to have a good understanding of them' (Requirement 3.1). It suggests that, as a minimum, the report should cover:

- an annual update on the governance matters
- the organisation's strategy
- accounts
- progress on diversity and inclusion – this might include progress against agreed Diversity and Inclusion Action Plans
- biographies of board members, indicating any particular roles held by each on the board and/or committees.

Notes

- Always remember that the Companies Act requires the annual report and accounts to be 'consistent with the size and complexity of the business'.
- The Code for Sports Governance recognises the need for balance between ensuring that disclosed information is meaningful, while not creating an undue burden on the organisation, or overloading stakeholders with documentation. It advises organisations to think about the purpose and reason for disclosing information and, in line with accessibility requirements, ensure that any information shared publicly is done so in a way which means it can be easily located and understood by stakeholders.

Contents of an annual report

The list of contents of an annual report given below should be regarded as an indicative framework rather than a rigid template. It is not intended to be prescriptive, nor is it intended to be a comprehensive list of all legal and regulatory requirements.

The primary purpose of the annual report is to explain to members, shareholders and other stakeholders how the organisation has performed over the past year, how it generates and/or preserves value over the longer-term and how it is going about pursuing its objectives.

The placement of information in the annual report is, to a great extent, at the discretion of the company and the report should be structured in a way that an organisation considers best tells its own story and most effectively communicates the information contained in it. It should set out the organisation's vision, values and governance philosophy, as well as demonstrating the sustainability of the strategy for the past, present and future development of business and other activities, including the business model and associated risk. It should evidence the quality of decision making and provide meaningful and reliable information to interested readers.

The annual report and accounts, taken as a whole, should be fair, balanced and understandable and provide the information necessary to assess the company's position and performance, business model and strategy.

1) Highlights

- Financial highlights
- Summary of objectives, strategy and business model, KPIs, strategic risk management

Narrative report

2) Strategic report¹

The purpose of the strategic report is to inform members and help them assess how the directors have performed their duty to promote the success of the company. It must be approved by the board of directors, signed on their behalf by a director or the company secretary and filed with the Registrar of Companies. The strategic report should include:

- a fair, balanced, comprehensive and understandable review, consistent with the size and complexity of the business, including an analysis of:
 - the development and performance of the company's business during the financial year
 - the position of the company at the end of the year, and
 - key performance indicators, both financial and non-financial
- a description of the principal risks and uncertainties facing the company and a report on the risks including:
 - confirmation by the directors that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its

¹ Except for small companies: CA 2006 s414A(2) and 414B.

- business model, future performance, liquidity, the operational environment and any risks associated with reputation, behaviour and safeguarding
- a description of those risks and explanation of how they are being managed or mitigated
- an explanation of how the directors have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate
- whether the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary (otherwise referred to as the viability statement)
- a report on the board's review of the effectiveness of the company's risk management and internal control systems
- a description of the company's principal objectives, strategy, and business model and linkage to/discussion of KPIs
- trends and factors likely to affect the future development, performance or position of the business, to the extent necessary for an understanding of the business
- a statement by the directors of whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements, identifying any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- details of strategically important matters on ESG/CSR, communities, sustainability, ethics and values, and human rights issues, to the extent necessary for an understanding of the development, performance or position of the company's business, or a statement that the information has not been included
- information as at the year-end about the diversity of
 - a) directors
 - b) senior managers
 - c) employees (see the Governance statement below for further diversity disclosures)
- any matter that is considered to be of strategic importance, which is also required to be included in the directors' report
- any additional explanations of amounts included in the company's annual accounts

Supplementary material to be provided with the strategic report when it is used as a replacement to summary financial statements:

- a statement that the strategic report forms part of the annual report and information on how recipients can obtain a copy of the full annual report
- a statement as to whether the auditor's report was qualified or unqualified, and further information if the auditor's report was qualified
- a copy of the section of the directors' remuneration report that sets out the single figure total in respect of directors' pay

2.1 Chair's statement

- results and dividend
- overview of the business, including management, succession planning, diversity and values
- governance overview including the impact of governance and risk management processes
- comments on corporate responsibility, sustainability and communities
- commentary on the operating environment
- outlook statement

2.2 Chief executive's review

- commentary on the operating environment
- detailed commentary on the business
- commentary on KPIs
- commentary on management of assets
- outlook statement

2.3 Chief financial officer's review

If companies wish to include a CFO review this might include commentary on the financial results, dividends, balance sheet, capital position and going concern.

2.4 Directors' report

- the names of all directors during the financial year
- a statement of any qualifying indemnity provisions for the benefit of any directors (or directors of associated companies) during the financial year
- a statement confirming that all relevant audit information has been provided to the company's auditor
- if applicable, a statement that the strategic report includes information required by the 2008 Regulations to be included, and an indication as to which information this applies
- a report on the annual quantity of greenhouse gas emissions from activities for which the company is responsible
- if applicable, a prominent statement that advantage has been taken of the small companies' exemption
- information on political donations totalling in excess of £2,000
- unless not material, financial risk management objectives and policies and exposure to price, credit, liquidity and cash flow risk
- details of any post year-end important events affecting the company or group
- likely future developments in the business, research and development and details of branches outside UK
- the company's policy on employment of disabled persons
- a description of actions in relation to employees
- going concern statement (if not included in the strategic report)
- directors' interests
- voting rights
- directors' responsibilities statement
- auditor's independence statement
- details of the annual general meeting and a link to the AGM notice on the company's website
- a statement of approval by the board and signed on behalf of the board

3) Report on sustainability, ethics, values, and/or corporate and social responsibility

Summary of information contained on the company's website or in a separate report.

4) Board of directors and secretary

Profiles of the board of directors and the secretary and a link to the profiles on the company's website.

5) Corporate governance report

5.1 Governance statement

- Governance overview, including:
 - changes to the board, articles of association or governance structure
 - key decisions taken
 - results of and actions stemming from any governance reviews/evaluations
 - stakeholder engagement
- statement of compliance with the Code for Sports Governance, UK Corporate Governance Code or other applicable code, and meaningful explanations of any non-compliance
- Diversity statement, including:
 - the diversity of directors, senior managers, employees and volunteers, participants
 - what recruitment practices or initiatives have been adopted to improve diversity and ensure an inclusive approach
 - policies and procedures related to equality, diversity and inclusion, including who has specific responsibility for strategic leadership on ED&I
- information on governance/risk management structures
- report on board responsibilities and activities (including membership/chairing of committees), director attendance, conflicts of interest, etc.
- report on each committee, including letter from committee chair, committee responsibilities, activities, attendance etc, and reporting by the audit committee on judgements taken on significant issues, their assessment of the performance of the external audit process; and impairment assumptions.

5.2 Directors and senior management remuneration report

- statement (by the chair of remuneration committee, if applicable), including key messages on remuneration, showing clear link to strategy, the context of decisions taken and major changes during the year
- single total figure of remuneration for each director and (for organisations employing more than 50 staff) the total remuneration paid to its senior management team
- details of any payments to past directors
- where the directors' remuneration policy is not being put to a resolution at the AGM, performance targets for the financial year in which the meeting is held (unless statement of performance targets was included in the last approved policy), subject to any matter which, if disclosed, would in the opinion of the directors be commercially sensitive to the company
- details of any remuneration committee including members, providers of services, fees paid and assessment of independence
- a statement of voting on remuneration report and remuneration policy in previous year
- a separate section on remuneration policy including the required statements; the required table on future policy and explanations of assumptions used; policy on loss of office payments; statement of consideration of pay and employment conditions of employees; and a statement on whether any shareholder views have been taken into account
- Supplementary information and explanations as necessary

6) Independent auditors' report

7) Financial statements

Details of the financial statements are not covered in this list of contents but this section of the annual report should include:

- accounting policies
- consolidated income statement
- consolidated statement of comprehensive income
- statements of financial position (consolidated and company)
- consolidated statement of changes in equity
- company statement of changes in equity
- statement of cash flows (consolidated and company)
- notes to the financial statements
- five year financial summary

8) Shareholder/member information

9) Financial calendar

10) Company information

11) Registrar and corporate advisers

12) Glossary and reference to online information

Note: Disclosure should be specific and relevant. Readers are wary of boilerplate language in annual reports. Disclosures should also follow the 'fair, balanced and understandable' principle, and present an honest appraisal rather than being treated as a PR opportunity.

Charity trustees' annual report

Introduction

Charity trustees must prepare an annual trustees' report.

The report accompanies the annual accounts and provides a wider commentary on the charity's strategic objectives and its performance during the year reported on. The report can, and should, 'add value' to the financial data provided by the accounts.

The trustee board as a whole is responsible for the contents of the report and for ensuring those contents include all the relevant material required by law and applicable accounting and reporting standards (in particular the Charities SORP).

The accounting and reporting standards for charities recognise that numbers are not, by themselves, enough to show the overall picture of a charity's activities and its end of year position. Further, the figures alone cannot tell the story of the public benefit that has been provided and the good the charity is doing – whereas an imaginative trustees' report certainly can.

The sections above that indicate the content for company annual reports provide additional detail of content that might be included, subject to the charity's legal structure, size and other circumstances. Charitable companies must provide the information required by company law.

Checklist

- Ensure the report complies with all applicable legislation and with SORP (as it applies to the type and size of charity).
- Consider whether the charity is subject to an alternative SORP, for example the sector-specific SORPs relevant to academy schools, colleges of further or higher education, Church of England Parochial Church Councils, mutual societies, industrial and provident societies, registered social landlords.

Public benefit

The report must include:

1. A report of the activities undertaken by the charity to further its charitable purposes for the public benefit.
2. A statement by the trustees as to whether they have complied with their duty to 'have regard' to the Charity Commission's guidance on public benefit.

Other contents

- Reference and administrative material, including the charity's full legal name and any operating name(s) it uses and the charity registration number. Cross-border charities must also provide their Scottish charity number.
- The address of the principal office must be stated.
- For a company limited by guarantee, the address of its registered office must be stated.
- The names of all trustees must be stated; this should include all who served for any part of the year being reported on. If trustees have joined the board after that year but before the approval of the report, their names should also be given.

- The name of the Chief Executive Officer and the names of any staff to whom the trustees have delegated day-to-day management must be given (i.e. senior management staff).
- Names and addresses of all relevant professional advisers must be stated (e.g. solicitors, bankers, auditors or reporting accountants/independent examiners, investment advisers).
- Structure, governance and management – this section must set out the legal form of the charity (trust, unincorporated members' association, CLG, CIO etc.), specify the nature of the governing document and indicate the method(s) for appointment of trustees.
- There should be details of how new trustees are inducted, plus information about the general training and development of trustees.
- The organisational structure must be described (e.g. committees and their roles, in the context of the governance role of the trustee board) and the decision-making processes should be explained.
- If the charity is part of a wider network, information should be given about that.
- Details of relationships with related parties must be given (SORP defines 'related parties').
- There must be a statement about risk management, including the review processes by which risks are identified and the systems and procedures adopted by the board to manage those risks.
- Objectives and activities – this section should make clear:
 - the aims and objectives set by the charity
 - the strategies and activities undertaken to achieve those, setting matters in the context of the longer term strategies and objectives.
- The information must include:
 - a summary of the charitable purposes (as set out in the governing document)
 - an explanation of the charity's aims, including what changes or differences it seeks to make by its activities
 - an explanation of the main objectives for the year being reported on and the strategies for achieving the stated objectives, as well as details of significant activities that contribute to obtaining those objectives.
- If the charity makes grants as a major activity, the grant-making policy must be stated.
- If there are material social investment programmes and/or material use of volunteers, information must be provided about those areas.
- Achievements and performance, providing information about:
 - the achievements of the charity (and any subsidiaries) during the year being reported on
 - in particular, this section should review the charitable activities, explaining performance against objectives, give details of material fundraising activities, including performance achieved against objectives set and commenting on material expenditure as well as projected future income.
- Details of material investments and their performance against the investment objectives should be given.
- Any factors outside the charity's control that are relevant to the achievement of its objectives should be commented upon. Those might include relationships with employees, service users, other beneficiaries and funders and the charity's position in the wider community.
- Financial review – a review of the charity's financial position is required (and that of any subsidiaries). The principal financial management policies adopted during the year should be stated.
- The policy on financial reserves, the level of reserves held and why they are held must be indicated. If material sums have been designed for particular purposes the

amounts and reasons must be given, together with intended timing of future expenditure. If there is a deficit or surplus on the target reserves sum this must be indicated, together with the steps being taken to address the difference between the target and actual figures.

- Principal funding sources must be indicated.
- Information about how expenditure during the year has supported the charity's key objectives must be included.
- If there are material investments, the investment policy and its objectives, including any social, environmental or ethical considerations, should be indicated.
- Plans for future periods – the charity's plans for future periods need to be explained, including key aims and objectives and details of activities planned to support these.
- Funds held as custodian trustee – if the charity holds any funds in the capacity of custodian trustee details must be given.

There is no required order for the material that must be dealt with in the trustees' annual report. So the statement of the charity's charitable purposes and the most important information, such as the impact of its activities and the public benefit the charity has delivered, can be addressed before all the required legal and administrative information.

Procedure

- Prepare the report in accordance with legislative requirements and applicable reporting standards.
- Arrange approval by the trustee board.
- Ensure the trustees authorise the relevant signatory.
- Minute the approval of the report and the authorisation of the signatory.
- Arrange filing of the report, with the annual accounts, with all relevant regulators.

Filing requirements

- The trustees' annual report, with the accounts, must be filed with charity regulators.
- A company limited by guarantee must include the report (drawn up to comply with relevant company law requirements for a charitable company) with the accounts it files at Companies House.
- For charities in England and Wales that are exempt or excepted from charity registration with the Charity Commission, the trustees' report will need to be submitted with the annual accounts to their alternative principal regulator.
- All charities in Scotland are registered on the Scottish Charity Register, so submission of the trustees' annual report with the accounts must be made to the OSCR.

More information

The main Charity SORP and a range of sector specific other SORPs and accounting and reporting standards are available online from the ICAEW library:

www.icaew.com/en/library/subject-gateways/accounting/accounting-by-industry

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