Reporting and Disclosure in Bangladesh and the United Kingdom: Convergence and Diversity in Corporate Governance Regulations

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1. Introduction

A financial reporting system supported by good governance, high quality standards and sound regulatory framework is the key to economic development of a country. Financial reporting system, providing essential financial information about the company to its shareholders and other stakeholders, needs to be reliable, free from bias and should enable comparison on the basis of common benchmarks. This, in turn, necessitates an appropriate financial reporting system that incorporates sound accounting principles and reflects a true and fair view of the financial health of the company while ensuring legally enforceable accountability. In a globalized world, such a system should also be uniform across borders so that there is comparability on the basis of common benchmarks. This article talks about the reporting and disclosure of companies in the United Kingdom and Bangladesh. The UK reporting and disclosure includes auditor's report, director's report, auditor's report, on director's report and statement in the prospectus etc. Likewise, Bangladesh does have a reporting system only limited to auditor's report which is made available at the members' meeting annually. Such comparative analysis leads the article to make certain points as policy recommendations for framing better corporate governance regulations.

2. Reporting and Disclosures

Disclosure means the act of releasing all relevant information pertaining to a company that may influence an investment decision. It also means reporting of all positive and negative information about the corporate organization. Its objective is to enable creditors and investors to draw an informed conclusion about the firm's financial position. However, reporting and Disclosures system varies from company to company. Given its usefulness, the OECD suggests for provision for disclosing and communicating all material facts (financial and non-financial) about the corporate bodies. It requires the corporate governance framework to ensure timely and accurate disclosures on all matters regarding the organization. Annual audits by independent auditors are also required in this context.

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3. Reporting and Disclosure in the UK

3.1. Scope and rationale of the annual reporting requirement

On the basis that "forewarned is forearmed" the fundamental principle underlying the Companies Act has been that of disclosure. If the public and the members were enabled to find out all relevant information about the company, this, thought the founding fathers of our company law, would be a sure shield. The shield may not have proved quite strong as they had expected and in more recent times it has been supported by offensive weapons. Basically, however, disclosure still remains the basic safeguards on which the Companies Act pins their faith, and every succeeding Act since 1862 has added to the extent of the publicity required, although, not unreasonably, what is required varies according to the type of company concerned. Not only may disclosure by itself promote efficient conduct of the company's business, because the company's controllers (whether directors or large shareholders) may fear the reputational losses associated with the revelation of incompetence or self-dealing, but the more interventionist legal strategies, going beyond well-informed about the company's position. For example, those in a position to enforce the company's rights against directors for breach of duty or to bring claims of unfair prejudice or shareholders holding rights to remove directors, if rational persons, will not turn their minds to the exercise of those rights unless they thing there are grounds for so doing. This, disclosure is the bed-rock of company law.

Those who introduced this annual reporting obligation in the nineteenth century probably saw it as aimed at informing two groups of people: the shareholders of the company, so that they could assess whether the company's management was doing an acceptable job; and the creditors of the company, whose claims are confined to the company's assets (except in the rare case of an unlimited company) and o have a natural interest in the state of those assets. However, in modern view would probably include two further groups as having interest in this matter. First, at least with companies whose securities are traded on a public market (usually a "stock exchange"), investors will be interested in the company's reports and accounts. The term "investor" certainly includes those who are already shareholders in the company, but it goes more broadly than that so as to embrace those who are contemplating investment in it but are not yet shareholders further, the term encourages us to distinguish between the two types of decision an existing shareholder might make after reading the account reports: seeking to exercise governance rights (for example, by removing directors) or selling (or buying) shares in the company. Finally, an investor might be a person who has lent or is contemplating a loan or someone contemplating buying or selling debentures (debt securities) issued by the company.

One can conclude that, where there is a public market in the company's equity or debt securities, the company's annual reports and accounts will be avidly read, not only by existing shareholders and creditors, but by a wider investing public. In fact, a major event in the annual cycle of a publicly traded company is the point at which it makes a preliminary announcement of its financial results for the previous year, the full details of which will be included in its annual statutory accounts. Such announcements—and the later full accounts and reports, though they are somewhat stale news by then—are pored over by analysts, whose task it is to generate advice for investors. Thus, the statutory accounts and reports are used by a wider investment community than just the shareholders, in the case of publicly traded companies. As we shall see, the issue of corporate or auditor liability where the company's annual statements are negligently misleading but are relied upon for the purpose of taking investment decisions has been a contentious one.

In this way, the annual reports and accounts have moved beyond company law to become part of securities or capital markets law as well. Since this is a development which concerns only the relatively small number of companies whose securities are traded on public markets, it is not surprising that further developments in the disclosure requirements applying to those companies have taken the form of rule targeted explicitly at such companies. In some cases, such additional rules are to be found in the Companies Act. For example, the directors' remuneration report, which is part of the annual reporting obligation of the board, is confined to "quoted" companies, but the rules governing it are to be found in the Companies Act 2006. We shall see a similar development in relation to the "enhanced" business review later in this Chapter.

Small companies

Just as there has been differentiation in the disclosure rules applying at the "top" end of the spectrum of companies, so also that phenomenon can be observed at the "bottom" end of the spectrum. There are carve outs from the full Companies Act disclosure requirements for "small" companies, both in terms of what has to be reported and, as we shall see in the next Chapter, whether it has to be verified by audit. A company which qualifies as small and is not excluded by the provisions discussed below is subject to the "small companies regime" for the accounts and reports, which is less stringent than that for larger companies. The tests for small companies relate to the economic size of the company, as makes sense for reporting purposes, rather than to the number of shareholders, which is a better test for governance purposes.

The criteria concern the company's turnover (not more than £6.5 million), balance sheet total, i.e. its assets (not more than £3.62 million), and number of employees

(not more than 50).[1] To qualify as small the company must meet two of the criteria; it does not need to meet all three of them. However, the company does not qualify as small unless it meets two of the three criteria in the financial year in question and in the previous financial year (unless the financial year in question is the first one). By way of amelioration of the two-year requirement it is provided that, having qualified as small, the company does not lose that status if it fails to meet the criteria in the first year after it last met the criteria; and it will also hang on to its status if in the following year it again meets the criteria.[2] The purpose of these rather complex rules is to stop the company drifting in and out of the status for successive financial years.

A company which meets the criteria nevertheless cannot count as a small company if it is a public company or carries on insurance, banking or fund management activities or is a member of a group which contains an "ineligible" member.[3] The thought here appears to be that such companies are engaged in sufficiently sensitive activities that full disclosure is required, especially for the benefit of the relevant regulators, and, in the case of public companies, the fact that they are free to offer their shares to the public suggests that a full financial record should be available.

Medium-sized companies

Somewhat misleadingly placed some eighty sections away from the provisions on small companies are to be found in the "supplementary provisions" to Part 15 the provisions defining a medium-sized company. The same type of criteria are used as in the case of small companies but they have a higher value: turnover not more than £25.9 million, balance sheet total of not more than £12.9 million and not more than 250 employees.[4] The same two-year rule applies, with its ameliorations, as in the case of small companies,[5] and there are similarly-motivated, but not identical, exclusions, amongst which, crucially, are public companies.[6] There is a similar definition of a medium-sized group to that used for a small group, though, of course, with higher values attached to the criteria.[7]

3.2. The Annual Accounts

Accounting records

The statutory provisions relating to the annual accounts begin by imposing on the company a continuing obligation to maintain accounting records.[8] This is logical enough, because, although these records are not open to inspection by members or

1 [UK] Companies Act 2006 S. 382(3)-(6)
2 Ibid. S. 382(1), (2).
3 Ibid S. 384(1).
4 Ibid S. 465(3).
5 Ibid S. 465(1).
6 Ibid S. 467(1).
7 Ibid S. 466.
8 Ibid Ss. 386-389.

the public, unless they are kept it will be impossible for the company to produce verifiable annual accounts. Hence, s. 386 provides that every company shall keep records sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time its financial position and to enable its directors to ensure that any balance sheet and profit and loss account will comply with the provisions of the Act or the IAS Regulation.

These general obligations are added certain specific requirements. The records must contain day-to-day entries of all money received or expended and of the matters to which that related and a record of the company's assets and liabilities.[9] If the company's business involves dealing in goods, the records must also contain a statement of stock held at the end of the financial year statements of stock-takings from which that was prepared, and, except in the case of goods sold in the ordinary course of retail trade, statements of all goods sold or purchased, in sufficient detail to enable the other party to be identified.[10] None of these specific requirements seems to envisage any particularly sophisticated form of business activity. For any but the most basic business probably the more important requirement are the general ones.

3.3. The Directors' Report

The director's report, to accompany both the individual and group accounts, has long been a statutory requirement in the United Kingdom, and it is now a requirement of the Fourth and Seventh Directives.[11] In recent years, it has been the subject of important legislative expansion, in two years. First, the directors of quoted companies are required to produce a directors' remuneration report (DRR). Secondly, the directors' report (DR) has become the focus of a new requirement for the company's annual statements to include forward-looking "soft" data to accompany the backward-looking, "hard" financial data contained in the accounts. This section of the report is termed the "business review" and is sometimes referred to as "narrative" reporting, to distinguish it from the numbers-based accounts. The introduction of this requirement[12] was accompanied by moments of high farce, as the Government first introduced, then repealed, then partially re-introduced the more far-reaching recommend which the CLR had made for an "operating and financial review."

Content of the directors' report other than the business review

First, however, we turn to the requirements for the DR other than the business review. The statute requires the report to list those who were directors of the company at any time during the year and the company's principal activities in the

9 Ibid S. 386(3).
10 Ibid S. 384(4).
11 Ibid s. 145
12 Ibid S. 417

course of the year.[13] It must also state the amount the directors recommend to be paid by way of dividend to the shareholders.[14] However, this latter requirement does not apply to companies entitled to the "small company exemption." Presumably, this because in small companies public disclosure of dividend recommendations may reveal the income of easily identifiable individuals, for example, where the directors are the only shareholders. This exemption is available not only to small companies falling within the small companies regime for the accounts but also to small companies which would so fall but for the fact that they are members of a group of companies which contains an ineligible member.[15] Thus the relaxations for small companies in relation to the DR go somewhat wider than in relation to the accounts.

None of the above is very demanding. However, the directors' report is subject to further requirements as to its contents, those requirements very much reflecting the policies underlying the notes to the accounts which we examined above. Thus, the policy of using disclosure in the accounts to further strategies developed elsewhere in the legislation, either as a result of domestic or Community reform impulses, is well to the fore. The DR must contain a statement by the directors about information provided to the company's auditors, as a way of furthering the effectiveness of the audit. As a result of amendments to the Fourth Directive in 2006, a company whose securities are admitted to trading on a regulated market must include a corporate governance statement in its annual report. That corporate governance statement must deal, amongst other things, with the company's control structures, compliance with the relevant corporate governance code, and contain a description of the company's internal control and risk management systems in relation to financial reporting.

Many further requirements for the DR are to be found in Schedule 7 to the Accounts Regulations 2008, which is divided into a number of parts, some of which require information which goes far beyond the purely financial. Thus Part 3 requires information to be given about the employment, training and promotion of disabled persons.

3.4. The business review

Rationale and history

Section 417 requires the DR of all companies, other than those benefiting from the small companies regime, to contain a business review (BR). The requirement for a BR reflects the perception that shareholders and investors need more than financial data to understand fully the prospects of the company. They need also to be able to gauge the quality of the company's relationships with those upon whose

13 Ibid S. 416 (1), (2)
14 Ibid S. 416(3)
15 Ibid S. 416(3)

contributions or cooperation the success of the company depends (sometimes called "stakeholders"). For stakeholders, as well, this information may be useful, even if company law itself gives them no particular platform from which to take action on the basis of the information. The BR required by section 417 varies in its intensity according to whether the company producing it is quoted or not. If it is not, the section's requirements track those of Article 46(1) of the Fourth Directive and 36(1) of the Seventh Directive, as amended in 2003. If it is, the requirements for the BR go further, but not as far as recommended by the CLR in its proposals for an Operating and Financial Review (OFR) and as initially implemented by the Government. The sequence of events whereby the OFR arrived, but then disappeared, and was ultimately replaced by an "enhanced" BR is a dramatic one in an area where drama is normally in short supply.

It is possible to detect in the reports of the CLR two main reasons underlying the proposal for the requirement that major companies produce an OFR. The first was based on a re-evaluation of the information needed to assess the position and prospects of many companies by adding to the historical, financial information, already required to be reported.

The second, less clearly articulated, was the need to provide a check on the discharge by directors of their "inclusive" duty to promote the success of the company for the benefit of its members but on the basis of taking into account the company's need to foster its relationships with stakeholders, its impact upon communities affected and environment and reputational concerns. Thus, there was a close link between the shareholder-centered statement of directors' duties recommended by the CLR and the desire to provide some mechanism whereby its "enlightened" elements meant something significant in practice and were not self-serving. That mechanism was to be disclosure via OFR.

Operating and Financial Review and Business Review compared

The central question about the section is, how much of the OFR does it reinstate for quoted companies, which are subject to the enhanced requirements? It is suggested that a good deal, but fat from all, of the substance of the OFR requirements is applied to quoted companies, and that the quality of what is disclosed under the BR may be less than would have been the case with the OFR. To establish this one needs to analyze the section, to which we now turn.

Section 417(2) states that the purpose of the BR is to "inform members of the company" and to help them assess whether the directors have performed their duty under section 172 of the Act to promote the success of the company for the benefit of its members. Although placing the emphasis on the members ties in well with the shareholder-centered focus of section 172, we have seen that the CLR proposed that

the OFR should not be so narrowly targeted, though the OFR as implemented did not reflect this suggestion. Section 417 requires all companies (other than those able to benefit from the small company exemption) to produce a business review containing a fair review of the company's business and a description of the principal risks and uncertainties facing it—or them in the case of group accounts.[16] The review required is "a balanced and comprehensive" analysis of the development and performance of the company's business during the financial year and of its position at the end of the year.[17] To the extent that it is necessary for an understanding of the business the review must make use of "key performance indicators," both financial and non-financial. This is an attempt to inject some quantitative analysis into what might otherwise be a set of generalities. These parts of the section simply tract Community law, whose requirements are indeed rather general.

For quoted companies the BR must deal with further matters "to the extent necessary for an understanding" of the company's business,[18] with KPIs where necessary. The phrase in quotes does not give the directors a discretion whether to deal with a matter: it simply recognizes that not all the additional matters will be relevant to the businesses of all companies, though few will not have to comment, for example, on the employees. The list of additional matters potentially to be commented on is:

(a) "the main trends and factors" likely to affect the future of the company's business;
(b) The impact of the company's business on the environment;
(c) The employees;
(d) Social and community issues;
(e) Persons with whom the company has contractual or other arrangements which are essential to the company's business, unless in the opinion of the directors such disclosure would be seriously prejudicial to those persons or to the public interest.[19]

None of these provisions requires disclosure of impending developments or matters in the course of negotiation if, in the directors' opinion, disclosure would be seriously prejudicial to the interests of the company.[20]

This list in fact covers most of what was in the OFR, with the exceptions of capital structure, treasury policies and liquidity, though a small part of even this will be covered by the corporate governance statement which is now required. What is most noticeable in a comparison of the OFR Regulations and section 417 is the greater

16 Ibid S. 417 (3), (9).
17 Ibid s. 417(4)
18 Ibid S. 417(5)
19 Ibid S. 417(5)(c)
20 Ibid S. 417(10)

generality (and thus lesser detail) with which the BR requirements are set out. This is the case even though in relation to items (b) to (d) above the statute requires information about any policies the company has on these matters and their effectiveness.[21] This raises the risk that the BR will be productive of self-serving and vacuous narrative rather than analytical material which is of genuine use to those who read the report. There are two traditional ways of dealing with this issue. One is to require the BR to be audited. The risk with this approach is that it will take away from the desirability of the OFR/BR constituting the directors' view of the business rather than that of its auditors. Consequently, the audit requirement for the directors' report is simply that the auditors certify that the DR is consistent with the accounts.[22]

Liability of misstatements in the directors' reports

This is not a matter with which the Act has previously dealt specifically. There are two areas of potential liability which need to be considered. First, there is liability on the part of the directors to the company. Secondly, there is liability on the part of the directors or the company to third parties, including investors in the market. The issue was previously left to the law of directors' duties or the general law on misstatements, whether negligent or fraudulent. However, the introduction of the BR prompted the introduction of specific provisions, now to be found in section 463, whose aim is either to remove these potential liabilities or to confine them to fraud.

There is a case for providing a "safe harbor" in relation to directors' forward-looking statements, on the grounds that no one can predict the future with certainty and if directors were to be exposed to litigation, or the threat of it, whenever their forward-looking statements turned out to be untrue, they would be very cautious in the statements they made, which caution might undermine the value of the BR to its users. In fact, the OFR Regulations contained no such provision, whilst section 463, by contrast, goes well beyond forward-looking statements, apparently on the grounds that it would be difficult to distinguish them from other types of statement. The section applies to the entire content of the DR and of the DRR.

Without section 463, the directors' liability to the company in respect of statements in the DR or DRR would most obviously be based on the general duty of directors to take care and exercise skill in the performance of their duties. As we have seen above, that duty is now put on an objective basis, which creates at least the possibility of suit for damages based on negligent preparation of the DR or DRR on the part of the directors. The effect of section 463 is to exclude directors' liability in negligence to the company entirely. The director is so liable in respect of untrue or misleading statements in the reports or omissions from them only if the director has

[21] Ibid S. 417(5)(b)

[22] Ibid S. 496

been fraudulent.[23] Fraud is defined in the way it is in the common law of deceit: the maker of the statement must know it is untrue or misleading or be reckless as to whether this is the case. Thus, a genuine belief in the truth of the statement, no matter how unreasonable, will save the director from liability.

If the directors' liability to the company is preserved in the case of fraud, their liability to other persons is excluded entirely, even in the case of fraud.[24] Moreover, the liability which is excluded is the liability of "any person," not just of the directors, provided it is not a liability to the company. Thus, investors cannot impose liability on the company in respect of unsuccessful investment decisions which are based on inaccurate information in the DR or DRR. It is in fact very unclear whether, without the section, liability in negligence towards investors on the part of the company or the directors would exist under the general law. The issue has been tested at the highest level only in respect of auditors, where, as we shall see, the starting point of the courts is one of non-liability. The exclusion of liability towards third parties in the case of fraud is more questionable, since the common law does impose liability in principle for fraud and it is unclear why fraud should be condoned. In fact, however, the exclusion of liability to third parties is qualified by the provisions of section 90A of FSMA 2000, applying to companies with securities traded on a regulated market, which imposes liability in fraud in relation to certain statements required of the company by the Transparency Directive, which include the DR.

Section 463 excludes the third-party liability of "any person," but it is not clear who might be liable beyond the directors and the company in respect of errors in the DR or DRR. A number of professionals may be consulted and have a hand in the compilation of the DR and DRR but they are not normally identified in those reports as responsible for particular parts of it and thus as having particular statements attributed to them, since both reports are the reports of the directors. However, if this did occur, section 463 would protect these persons. The auditors are required to report on the consistency of the DR with the accounts and to audit parts of the DRR, as we have seen, but the auditor's report is a separate document and so would not be covered by section 463.

3.5. Approval of the Accounts and Reports by the Directors

That the DR and DRR are the reports of the directors is clear from their names, let alone the provisions of the Act.[25] The accounts as well are the product of the directors: the directors must draw them up,[26] although in this case, because of the role played by the auditors in verifying the accounts and, in practice, in drawing them up, they are often misconceived as the auditors' accounts. With the collapse of

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23 Ibid S. 463(2), (3)
24 Ibid S. 463(4),(5)
25 Ibid Ss. 415 & 420
26 Ibid Ss. 394 and 399

the Enron Company and others reviewed emphasis was placed on the directors' responsibility for the accounts. At Community level the Fourth and Seventh Directives were amended so as to require directors to "have the collective duty to ensure that the annual accounts, the annual report…are drawn up" in accordance with the Directive or the IAS Regulation. The Government took the view that this requirement was met by the existing domestic provision that the annual accounts must be approved by the directors and signed on behalf of the board by a director.[27] If the directors approve accounts that do not comply with the Act or the IAS Regulation, every director who knows that they do not comply or is reckless as to whether or not they comply and who fails to take reasonable steps to secure compliance or to prevent the accounts being approved is guilty of an offence.[28] The duty on the directors to produce the DR and DRR is likewise backed by criminal sanctions: failure to take reasonable steps to secure compliance with the duty to produce the reports is a criminal offence on the part of each of the directors.[29]

The Member States are also required to ensure that their "laws, regulations and administrative provisions on liability" to the company apply to the directors who breach their collective duty. This provision does not require the Member States to have any particular liability regime in place. In the case of the United Kingdom this requirement is met presumably through the general law on directors' duties and, in the case of the DR and DRR, by the preservation of the directors' liability in fraud to the company.

3.6. The Auditor's Report

The final document that has to accompany the annual accounts is the auditors' report thereon—assuming the company is one which is required to have its accounts audited or has chosen to do so. This has to be addressed to the company's members[30] and to state whether in the auditors' opinion the annual accounts have been properly prepared in accordance with the Act or the IAS Regulation, as appropriate and, in particular, whether they give a true and fair value.[31] The report must also state whether the auditors consider that the information given in the DR is consistent with that in the annual accounts[32] and, in the case of the auditable part of the DRR, state whether it has been properly prepared.[33] The auditors' report must state the names of the auditors and be signed by them.[34] However, those names need not appear on the

27 Ibid S. 414 (1)
28 Ibid S. 414 (4),(5)
29 Ibid s. 415(4), 420 (2)
30 Ibid S. 495(1)
31 Ibid S. 495(3)
32 Ibid S. 496
33 Ibid S. 497
34 Ibid S. 503

published copies of the report or on the copy filed with the Registrar if the company has resolved that the names should not be stated on basis that there are reasonable grounds for thinking that publication would create a serious risk of violence to or intimidation of the auditor or any other person, and has provided that information instead to the Secretary of State.[35]

3.7. Revision of Defective Accounts and Reports

Despite the requirements for director and auditor approval, noted above, it is not impossible that accounts and reports will be produced by the company which are later discovered to be incorrect. Until the passing of the Companies Act 1989 there were no statutory provisions for revising incorrect accounts and reports. However, it has never been doubted that if directors discover such defects, they can and should, correct them. Section 454 makes it clear that the directors may revise the accounts and reports on a voluntary basis. Where the accounts have not yet been sent to the Registrar or the members, the directors have a pretty free hand as to revisions, but is either of those events has occurred, as is likely, the corrections must be confined to what is necessary to bring the accounts and reports into line with the requirements of the Act or the IAS Regulation.[36] Regulations made under the section provide that the revised accounts or reports become, as nearly as possible, the reports and accounts of the company for the relevant financial year, to which the other provisions of the Act apply. For example they will be subject to audit.

More significant are the statutory powers to compel revision of defective accounts. The Secretary of State has power to apply to the court for a declaration that the accounts or directors' report (but not, it seems, the DRR) does not comply with the Act or the IAS Regulation and for an order that it be brought into line, with consequential directions.[37] The court may order the costs of the application and of the production of the revised accounts to be borne by the directors in place at the time of the approval of the accounts or report, unless a director can show that he or she took all reasonable steps to prevent approval, though the court also has power to exclude from liability a director who did not know and ought not to have known of the defects.[38] Notice of the application and of its result must be given to the Registrar.[39]

However, in practice this is not an activity the Secretary of State undertakes. There is power under section 457 for authorization to make applications to the court to be conferred upon persons appearing to the Secretary of State "to have an interest in,

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35 Ibid S. 506
36 Ibid S. 454(2)
37 Ibid S. 456 (1)-(3)
38 Ibid S. 456 (5), (6)
39 Ibid S. 456 (2), (7)

and to have satisfactory procedures directed to securing, compliance by companies" with the Act and the IAS Regulation and "to have satisfactory procedures for receiving and investigating complaints" about annual accounts and directors' reports and otherwise to be "fit and proper." Such authorization has been conferred on the Financial Reporting Review Panel ("FRRP"),[40] an operating body of the Financial Reporting Council ("FRC"). In practice, the task of dealing with defective reports is discharged by FRRP, rather than by the Department, except in relation to small companies. The FRRP has statutory authority to require the production of documents, information and explanations if it thinks there is a question-mark over the compliance of a company's accounts or report with the Act or IAS Regulation.[41] It must keep the information received confidential, except for disclosure to a list of approved recipients (relevant Government Departments and Regulators).[42]

The FRRP has been criticized in the past for being reactive, i.e. acting only on complaints or media revelations that a particular set of accounts is defective rather than checking or investigating on its own motion. Partly because of EU pressure to produce equivalent mechanisms in the Member States for the enforcement of international accounting standards, the FRRP agreed in 2002 to adopt a proactive review policy, though it has not had to resort to a court order to secure the necessary changes, a threat of an application being enough.

With regard to companies with securities traded on a regulated market, the obligation to secure compliance with the reporting requirements of such companies (which include but extend beyond the annual reports and accounts) is apparently allocated by Community law to the Financial Services Authority, but the relevant Directive permits the FSA to delegate the tasks conferred upon it. Accordingly, the FRRP has been authorized by the Secretary of State to keep under review not only the accounts and reports required by the Act but also those required to be produced by companies whose securities are traded on regulated markets under the provisions of Part 6 of the Financial Services and Markets Act 2000. In this case there is an obvious need for close liaison with the Financial Services Authority. The FRRP's under a duty to report its findings to the FSA in appropriate cases and the FSA may expand the FRRP's remit.

3.8. Filing Accounts and Reports with the Registrar

The statutory requirement to produce accounts and reports would be of little use if there were no provisions for the information so generated to reach the hands of those

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[40] Companies (Defective Accounts and Directors' Reports) (Authorized Person) and Supervision of Accounts and Reports (Prescribed Body) Order 2008 623.

[41] [UK] Companies Act 2006 S. 459

[42] Ibid Ss. 460-462

who might make use of it. This is done in two ways under the Act: circulation to members (discussed below) and delivery of the accounts to the Registrar.[43] By delivery to the Registrar, the accounts and reports become public documents.

Speed of filing

A source of complaint in the past has been the length of the gap between the end of the financial year and the date laid down for filing the accounts and reports with the Registrar. The CLR thought that modern technology permitted speedier filing than had been required in the past and recommended that the period be reduced from seven to six months for public companies and ten to seven for private companies. Section 442 implements the former reform but only marginally reduces the private company period (to nine months) with is a pity.[44] For public companies whose securities are traded on a regulated market the period for publication of the annual accounts and reports is four months from the end of the financial year, though the core elements in the accounts may have been made available earlier through a preliminary public announcement of the results.

A linked source of complaint has been non-compliance with the filing requirement, though the UK's record in this area is superior to that of some Member States of the Community. The formal sanctions are criminal liabilities on the directors and civil penalties on the company. If the filing requirements are not complied with on time, any person who was a director immediately before the end of the time allowed is liable to a fine and, for continued contravention, to a daily default fine, unless the director can prove that he took all reasonable steps for securing that the accounts were delivered in time.[45] Furthermore, if the directors fail to make good the default within 14 days after the service of a notice requiring compliance, the court, on the application of the Registrar or any member or creditor of the company, may make an order directing the directors or any of them to make good the default within such time as may be specified and may order them to pay the costs of and incidental to the application.[46]

To these criminal sanctions against directors, the Act adds civil penalties against the company.[47] The amount of the penalty is set by regulation. The amount of the penalty, recoverable by the Registrar, varies according to whether the company is private or public and to the length of time that the default continues; the minimum being £150 for a private company and £750 for a public company when the default is for not more than one month, and the maximum £1,500 for a private and £7,500

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[43] Ibid S. 441
[44] Ibid S. 442 deals with some exceptional cases as well.
[45] Ibid S. 451
[46] Ibid S. 452
[47] Ibid S. 453

for a public company when the default exceeds six months. There are obvious attractions in affording the Registrar an additional weapon in the form of a penalty recoverable by civil suit to which there is no defense once it is shown that accounts have not been delivered on time. Presumably, the thought is that civil sanctions on the company will put pressure on shareholders to intervene and secure compliance on the part of the directors, but it is not clear how effective this mechanism is. It may be that the shareholders simply lose profits as well as suffer from a failure on the part of the directors to perform a duty intended to protect them. In recent years the rate of compliance with the filing deadlines at Companies House has been around the 95 per cent mark and just over a million pounds was raised in late filing penalties in 2005-2006.

Modifications of the full filing requirements

Filing with the Registrar is such a sensitive issue precisely because the information in the accounts and reports thus becomes generally available. The Act itself makes some concessions to the fear of publicity in the case of small, medium-sized and unlimited companies, by way of derogations from the full filing regime. That regime requires filing of the annual accounts, the director' report and (in the case of a quoted company) the directors' remuneration report, and the auditor's report on those accounts and reports.[48] If the company has been required to produce group accounts, then the full regime applies to both the group and individual accounts.[49] The balance sheet must contain the name of the person who signed it on behalf of the board.

Unlimited companies are in principle exempt from filing any accounts and reports, provided the unlimited company is not part of insurance company.[50] This is a good example of the link between limited liability and public financial disclosure, i.e. the latter is dispensed with if the former is not present. Of course, the unlimited liability company still has to produce and circulate accounts to the members, who have perhaps an even bigger interest in the proper running of the company if their liability is unlimited.

Small companies subject to the small company regime are not required to produce group accounts, nor are they required to file a directors' report with their individual accounts. In relation to their individual accounts, which they are required to produce, they are required to file with the Registrar only the balance sheet (though they may file a profit and loss account if they wish)[51]

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48 Ibid Ss. 446-447
49 Ibid S. 471
50 Ibid S. 448
51 Ibid S. 444(1)

Further, the filed copy of the balance sheet is permitted to be less detailed than the balance sheet made available to the members, at least where the company produces Companies Act accounts. These are the so-called "abbreviated" accounts.[52] There may also be omitted from the notes to the abbreviated accounts the information which unquoted companies are required to produce about directors' remuneration. This applies to both Companies Act and IAS accounts of small companies. The CLR took the view that the filed accounts of small companies were, in the result, "not meaningful", and proposed to remove the facility for filing abbreviated accounts. Although the Government initially accepted this recommendation, it did not make its way into the Act. The general conclusion is that little insight into the financial position of a company subject to the small company regime will normally be obtained from consulting its filed accounts.

A medium-sized company must file both the full annual accounts (individual and group, if necessary) and the directors' report, but may file the profit and loss account (but not the balance sheet) in abbreviated form.[53]

Information available from the Registrar

The annual accounts and reports are probably the most important documents filed with the Registrar and thus made public, because they give reasonably current (though by no means completely up-t-date) information about the company's financial position. However, the accounts and reports do not constitute the whole of the information about the company which is publicly available from the Registrar, as we see at various points in this work. The next most important document thus made available is probably the company's constitution, mainly its articles of association. Perhaps after that in importance is the list of the company's directors, which must be updated as changes occur. Amongst the other information available in this why are the address of its registered office, the amount of its issued share capital and details of charges on its property.

"Any person" has the right to inspect the register maintained by the Registrar, subject to certain limited types of information not being publicly available.[54] There is also a right to obtain a copy of material on the register, subject to a fee,[55] and a copy duly certified by the Registrar is evidence in legal proceedings of equal validity to the original.[56] The applicant has the choice in relation to the most central items of

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52 Ibid S. 444(3)
53 Ibid S. 445(1), (3).
54 Ibid Ss. 1085 and 1087
55 Ibid S. 1086
56 Ibid S. 1091 (3)

information to make the request for inspection or copy electronically or in hard copy, and to receive the information in either way.[57]

Annual return

This is a document delivered annually to the Registrar by the company.[58] Unlike the accounts and reports considered above, it is not a document sent by the directors to the members, a copy of which is filed with the Registrar. The Registrar is the principal addressee of the annual return (though, of course, any member may access it under the provisions discussed in the previous paragraph). Nevertheless it is convenient to consider it here. Moreover it is a document required to be submitted by every company, whatever its obligations as to the accounts and reports.

To some significant extent the annual return simply makes the searcher's task easier: it collates much that should have been delivered for registration when the relevant transactions occurred, so that a searcher may find it unnecessary to search back beyond the latest annual return on the file. However, it also contains some information not otherwise required to be sent to the Registrar. This is particularly true of information about the members of the company,[59] in particular the number of shares in each class held by each member and the number of shares transferred by each member since the last return. It is easy to see many situations in which information about members and their shareholdings may be of relevance. However, the annual return suffers from two defects in this respect. First, it reports the position only once a year and, in some companies, the shareholders may be a fluctuating body. Consequently, the share register maintained by the company is likely to be a better source of information than the annual return. In fact, this is a point which is more generally true about information in the annual return. Much of it is also kept on registers required to be maintained by the company, and the company's registers will be more up-to-date- and as equally available, at least to members of the company but not always to members of the public. Secondly, both the annual return and the company's share register contain information about only the shareholder who holds that legal title to the share (the "registered" member), who may be a mere nominee for someone else. Obtaining information easily about beneficial owners is provided for only in relation to companies whose securities are traded on regulated markets.

Despite the criminal sanctions[60] for non-compliance with the obligation to make an annual return and facilitation by the Registrar of electronic means for submitting the annual return, companies are not always prompt in making their annual returns. In

[57] Ibid Ss. 1089 and 1090
[58] Ibid S. 854
[59] Ibid Ss 856A and 856Bs
[60] Ibid S. 858

fact, failure to file the annual return alerts the Registrar and may lead to the taking of steps which culminate in the company's removal from the register.

Other publication of the accounts and reports

Although the Act requires only filing with the Registrar by way of making the accounts and reports available to the public, in fact large companies often, and other companies sometimes, make their annual statements available more generally; and quoted companies are now required to provide website publication.[61] Where a company chooses to make its annual statements available in a way which is calculated to invite members of the pubic generally, or a class of them, to read it, then the Act requires the name of the person who signed the balance sheet or the DR or DRR on behalf of the company to be stated.[62] If a company publishes its accounts in this way, they must be accompanied by the auditor's report (if there is one) and a company preparing group accounts cannot publish only its individual accounts.[63] In short, a non-quoted company is not required to publish its annual accounts generally, but if it does so, it must do so in full.

The accounts described above are known as the company's "statutory accounts". A company is not prohibited from publishing other accounts dealing with the relevant financial year, thought this is in fact rare. If the company does so, it must include with them a statement that these accounts are not the statutory accounts and disclose whether the statutory accounts have been filed and whether the auditors have reported on them and, if so, whether the auditors' report was qualified. Nor may an auditors' report on the statutory accounts be published with the non-statutory accounts.[64] If the company is listed, it will be required under the Lifting Rules to produce six-monthly accounts as well as annual ones, though such accounts do not fall into the category of "non-statutory accounts" because they do not cover an entire financial year.

3.9. Consideration of the Accounts and Reports by the Members

Circulation to the members

Since the accounts and reports are communications from the directors to the members, it is not surprising that the Act requires their circulation to the members.[65] However, not only the members but also the company's debenture-holders (i.e. its long-term lenders holding the company's debt securities) must receive copies, since their chances of being repaid depend upon the financial health of the company. Thirdly, so must anyone who is entitled to receive notice of general meetings of the company be sent the accounts and reports, a category which includes the directors

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[61] Ibid S. 430
[62] Ibid S. 433
[63] Ibid S. 434
[64] Ibid S. 445
[65] Ibid S. 423(1)

themselves (hardly a necessary requirement) and anyone else entitled to notice under the particular company's articles.[66] This obligation arises only if the company has a current address for the person in question.[67] Finally, those nominated to enjoy information rights will receive copies of the accounts and reports.[68] Just to make sure, the Act also provides that shareholders and debenture-holders can at any time demand copies of the most recent annual accounts and reports and the company must comply with the request within seven days.[69]

Summary financial statements

There are two linked problems with the circulation requirements. First, the full accounts and reports may be grist to the mills of the analysts, but lots of individual shareholders find the full set more daunting than useful. Secondly, the circulation requirement is an expensive one for the company to meet. Both these concerns are addressed by the provisions as to summary financial statements, which replace the full accounts and reports otherwise required to be circulated.

This facility was previously available only to companies whose securities were traded on certain public markets, but now it is in principle open to all companies.[70] Moreover, the burden is on the recipient to ask to continue to receive the full accounts and report. If after being sent an appropriate notice from the company, the recipient does into respond with a contrary statement within 28 days, he or she will be deemed to have opted for the summary, though that "choice" can be reversed at any time.[71] The summary statement provisions are, however, default rules, in the sense that the company in its constitution or the instrument creating the debentures may deprive itself of this facility. The right to make use of the summary is also dependent on the company observing the relevant provisions of the Act relating to the audit, filing and approval of the full accounts and reports.

The detailed rules for the format of the summary financial statements, as far as derived from the accounts, are set out in Schedules to the Regulations. In addition, certain parts of the directors' reports are required to be included or summarized in the summary financial statement, in particular those parts dealing with the directors' remuneration. Further, the summary must contain, or there must be sent separately, the information the Takeovers Directive requires to be provided annually about the company's control structures. Finally, as far as content is concerned, the summary must contain statements warning the reader that it is only a summary and informing

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66 Ibid S. 307
67 Ibid S. 423 (2), (3)
68 Ibid S. 146
69 Ibid S. 431
70 Ibid S. 426
71 Ibid S. 426(2)

the reader how to obtain full copies.[72] The auditor is required to form a view whether the summary is consistent with the accounts and reports and complies with the provisions of the Act and the Regulations, and that view must be included in the summary.[73] The auditor must also state in the summary whether any of the reports required to be given by an auditor were adverse to the company and, if so, to include them.[74]

An alternative, or additional way, of addressing circulation costs is to encourage members to receive communications (whether full accounts and reports or a summary) from the company in electronic form or via the company's website. A quoted company is in any event required to put its current annual accounts and reports on its website and to maintain it there throughout the following financial year.

Laying the accounts and reports before the members

Circulating the accounts and reports to the members and others allows them to consider them on an individual basis, but such consideration is not likely to lead to significant action in the case of companies with larger bodies of shareholders, unless there is some facility for collective consideration of the accounts and reports. As far as private companies are concerned, there is no longer any statutory requirement for such collective consideration, no matter how large a shareholding body that company may have. A private company is required by the statute to circulate its annual accounts and reports at the time it delivers them to the Registrar,[75] and any further action is a matter for the shareholders or the company's articles. The shareholders might seek to convene a meeting or the articles might require annual consideration of the accounts and reports at a meeting, which the directors would be obliged to convene.

4. Reporting and Disclosure in Bangladesh

Sections 210-220 of the Companies Act of 1994 deal with audit, auditors and auditor's report. According to section 210, an auditor shall be appointed at the annual general meeting with his previous consent and the company shall give intimation to the auditor within seven days of his appointment. Section 213 lays down powers and duties of auditors. This section corresponds to section 145 of the Act of 1913. An auditor shall have right to access at all times to the books and accounts of the company and may require any information or explanation from officers of the company. This section lays down certain responsibilities the auditors must perform, namely, enquiry whether loans and advances made by the company on the basis of the security have been properly secured and whether the terms on which they have been made are not prejudicial to the interests of the company or its

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72 Ibid S. 427(4)(a)-(c), 428(4)(a)-(c)
73 Ibid S. 427(4)(d), 428(4)(d)
74 Ibid S. 427(e)-(g), 428(4)(e)-(g)
75 Ibid S. 424(2)

members. This alone seems to be a formidable task as even the most experienced auditor or lawyer will not be able to comment on the adequacy of the security. Only obvious lapses may be detected. Such enquiry shall also take into account several other matters, e.g., whether transactions of the company represented merely as book entries are prejudicial to the interests of the company or whether in the case of a company not being a banking or investment company assets represented by shares and securities have been sold at a loss or whether personal expenses have been changed to revenue account and whether cash has been actually received by the company where shares have been allocated for cash. The auditor is to make a report to be presented in the annual general meeting on the accounts examined by him and on every balance sheet and profit and loss account and whether these give a true and fair view of the company's affair at the end of the financial year. The stress on having a 'true and fair view' is new and is in conformity of the standard to be sad in preparing a balance sheet and profit and loss account.

Section 213(3) clearly states that the auditor shall make a report to be presented in the annual general meeting of the company on the accounts, examined by him, and on every balance sheet and profit and loss account and on every other document declared by this Act to be part of or annexed to the balance sheet or profit and loss accounts which are laid before the company in general meeting during his tenure of office and the report shall state whether, in his opinion and to the best of his information and according to the explanation given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view-

a) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;
b) in the case of the profit and loss account, of the profit or loss for its financial year.

The auditor's report shall also state-

a) whether he has obtained all the information and explanation which to the best of his knowledge and belief were necessary for the purposes of his audit;
b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;
c) whether the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

The Government may, be general or special order, direct that in the case of such class or description of companies as may be specified in the order, the auditor's report shall also include a statement on such matters as may be specified therein. The power to call for information and explanation from the officers of the company

gives the auditor the power to call for information and explanations from managing and other directors because the definition of an "officer" in section 2(o) of the Act includes a "director". Section 214 applies the rights of an auditor to inspect the accounts of the company to its branch offices. Section 215 requires that the auditor's report shall be signed only by the auditor so appointed or if the auditor is a firm then by its partners.

The auditor's report is to be read before the company in annual general meeting and an auditor has a right to attend the general meeting.[76] The preference shareholders and debenture holders have the same rights to receive and examine the balance sheets, profit and loss account, and the auditor's report as are enjoyed by ordinary shareholders.[77]

4.1. Reports to be set out in Prospectus

The auditors of the company shall prepare a report on the following, namely:

(a) Profits and losses, and assets and liabilities, in accordance with sub-clause (2) or (3), as the case may be;
(b) The rates of dividends, if any, paid by the company in respect of each class of shares in the company for each of the five financial years immediately preceding the issue of the prospectus, giving particulars of each such class of shares on which the dividends have been paid and also particulars of the cases in which no dividend has been paid on any of those classes of shares for any of those years;
(c) If no account have been made-up in respect of nay of the said financial years, or part thereof ending on a date immediately preceding three months prior to the issue of the prospectus (hereinafter referred to as the said period), then the following matters:
(i) A statement that such accounts have not been made up;
(ii) An account of the profit and loss of the company up to a date prior to the issue of the prospectus which date is not beyond one hundred and eighty days including the said period (three months);
(iii) The accounts referred to in sub-clause (ii) may indicate as to whether any adjustment has been made or yet to be made and the nature of the adjustment;
(iv) A certificate that the profit and loss account and the assets and liabilities of the company have been examined by the auditors and found to be correct by them.

If a company has no subsidiaries, then the report shall be as regards.-

76 Companies Act of 1994 Ss 216 and 217
77 Ibid S. 221

a) Profit and losses, deal with the profits or losses of the company distinguishing it of a items of a non-recurring nature, in respect of each of the five financial years immediately preceding the issue of the prospectus; and
b) Assets and liabilities, deal with the assets and liabilities of the company at the last date to which the accounts of the company were made up.

If the company has subsidiaries, the report shall as regards-

a) Profits and losses, deal separately with the company’s profits or losses as provided by sub-clause (2) and in addition, deal either-
   i) As a whole with combined profits or losses of its subsidiaries, so far as they concern members of the company; or
   ii) Individually with the profits of losses of each subsidiary, so far as they concern members of the company; or,
   iii) Instead of dealing separately with the company’s profits or losses, deal as a whole with the profits or losses of the company and, so far as they concern members of the company, with the combined profits or losses of its subsidiaries; and
b) Assets and liabilities, deal separately with the company’s assets and liabilities as provided by sub-clause (2) and, in addition, deal either-
   i) As a whole with combined assets and liabilities of its subsidiaries, with or without the company’s assets and liabilities; or
   ii) Individually with the assets and liabilities of each subsidiary;
c) The assets and liabilities of the subsidiaries indicate the allowance to be made for persons other than members of the company.

4.2. Statutory Report

Every company limited by shares and every company limited by guarantee and having a share capital shall, within a period of not less than one month and not more than six months from the date at which the company is entitled to commence business, hold a general meeting of the members of the company which is referred to as "the statuary meeting". The Board of Directors shall, in accordance with the other provision of this Act, prepare a report, in this Act referred to as 'statutory report" and shall at least 21 days before the day on which the statutory meeting is not be held, forward the report to very member of the company:

However, if the report is forwarded later than the time as is required above, it shall notwithstanding that fact, be deemed to have been duly forwarded if any member entitled to attend and vote at the meeting does not object to such forwarding. The statutory reports shall set out the following namely--

(a) the total number of shares allotted, distinguishing the shares allotted as fully or partly paid-up, otherwise than in cash, and stating in the case of shares partly paid-up, the extent to which they are so paid up, and in either case, the consideration for which they have been allotted;
(b) the total amount of cash received by the company in respect of all the shares allotted, distinguished as aforesaid;
(c) showing under separate proper headings—
   (i) an abstract of receipts of the company and of the payments made thereout up to a date within seven days prior to the date of the report;
   (ii) the receipts of the company from the shares and debentures and other sources, the payments made thereout and particulars of the concerning balance remaining in hand;
   (iii) any commission or discount paid or to be paid on the issue or sale of shares or debentures; and
   (iv) an account or estimate of the preliminary expenses of the company;
(d) the names, addresses and occupations of the directors of the company and of its auditors; and also, if there be any, of its managing agent, manager and secretary. and the change, if any which have occurred in such names addresses in and occupations since the date of the incorporation of the company;
(e) the particulars of any contract which, or the modification or the proposed modification of which is to be submitted to the meeting for its approval, together with the particulars of the modification or proposed modification of such contract;
(f) the extent, if any, due on calls from every director, from managing agent, every partner of the managing agent, every firm in which the managing agent is a partner, and where the managing agent is a private company, every director thereof;
(g) the arrears, if any, due on calls from every director, from managing agent, every partner of the managing agent, every firm in which the managing agent is a partner, and where the managing agent is a private company, every director thereof;
(h) the particulars of any commission or brokerage paid or to be paid in connection with the issue or sale of shares or sale of shares or debentures to any director, or to the managing agent, any partner of the managing agent, any firm in which the managing agent is a partner and, where the managing agent is a private company, to any director thereof.

The statutory report shall be certified as correct by not less than two directors of the company, one of whom shall be the managing director where there is one. After the

statutory report has been certified, the Board of Directors the company shall, in so far as the report relates to the shares allotted by the company, the cash received in respect of such shares and the receipts and payments of the company, get it certified as correct by the auditors of the company.

The Board of Director shall cause a copy of the statutory report certified as if required by this section to be delivered to the Registrar for registration forthwith, after copies thereof have been sent to the members of the company. The members of the company present at the meeting shall be at liberty to discuss any matter relating to the formation of the company or arising out of the statutory report, whether previous notice has been given or not; but no resolution may be passed of which notice has not been given in accordance with the provisions of this Act. If default is made in complying with the provisions of this section, every director or other officer of the company who is in default shall be punishable with fine which may extend to five thousand taka.

5. Convergences and Divergences

Directors' Report: According to section 415 of the UK Companies Act of 2006, the directors of a company is under obligation to prepare a "directors' report" for each financial year of the company. Sections 416 described the general contents of directors' report. Section 419 stipulates that 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. In Bangladeshi Company Act of 1994, there is no such obligation on directors to prepare a report in every financial year. Though Regulation 51 of Schedule I indicates that there may be an "ordinary report of the directors," but any further discussion is absent.

Directors' Remuneration Report: Section 420 of the Companies Act, 2006 of UK clearly states that the directors of a quoted company must prepare a "directors' remuneration report" for each financial year of the company. Section 421 deals with the contents of that report. In Bangladesh, there is no provision for such report.

Auditor's Report: Section 495 of the Companies Act, 2006 of UK says that company's auditor must make a report to the company's members on all annual accounts of the company. The auditor's report must include—(a) an introduction identifying the annual accounts that are the subject of the audit and the financial reporting framework that has been applied in their preparation, and (b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.

Section 213(3) of the Companies Act, 1994 clearly dictates that the auditor shall make a report to be presented in the annual general meeting of the company on the

accounts, examined by him, and on every balance sheet and profit and loss account and on every other document declared by this Act to be part of or annexed to the balance sheet or profit and loss accounts which are laid before the company in general meeting during his tenure of office.

Auditor's Report on Directors' Report: Section 496 of the Companies Act, 2006 of UK stipulates that the auditor must state in his report on the company's annual accounts whether in his opinion the information given in the directors' report for the financial year for which the accounts are prepared is consistent with those accounts. There is no such provision in Bangladesh.

6. Recommendations

- Bangladeshi law should clearly provide for directors' report and other relevant provisions.
- Like UK law, Bangladeshi law should provide for Directors' Remuneration Report for publicly traded companies.
- The auditors in Bangladesh should get power to make a report of said directors' report.
- Auditors in Bangladeshi law should also have the power to make investigation and report on auditable part of directors' remuneration report.

7. Conclusion

Reporting is a substantial part of the company legislation. The UK Companies Act, 2006 deals with annual accounts and reports in Part 15 which contains nearly one hundred sections, and this is an indication of the central role played by annual reporting in the structure of the company legislation. Though Bangladeshi company legislation has incorporated the idea of auditor's report, it seems to have lagged behind in introducing strong provisions on directors' report. Thus, Bangladeshi legislators should concentrate on providing a workable and comprehensive regulatory framework for financial reporting which is considered as an invaluable mechanism to strengthen the corporate governance and to protect the financial health of a country.