



# Companies Act 1985

## 1985 CHAPTER 6

### PART VII

#### ACCOUNTS AND AUDIT

#### CHAPTER I

##### PROVISIONS APPLYING TO COMPANIES GENERALLY

##### *Accounting records*

#### **221 Companies to keep accounting records**

- (1) Every company shall cause accounting records to be kept in accordance with this section.
- (2) The accounting records shall be sufficient to show and explain the company's transactions, and shall be such as to—
  - (a) disclose with reasonable accuracy, at any time, the financial position of the company at that time, and
  - (b) enable the directors to ensure that any balance sheet and profit and loss account prepared under this Part comply with the requirements of this Act as to the form and content of company accounts and otherwise.
- (3) The accounting records shall in particular contain—
  - (a) entries from day to day of all sums of money received and expended by the company, and the matters in respect of which the receipt and expenditure takes place, and
  - (b) a record of the assets and liabilities of the company.
- (4) If the company's business involves dealing in goods, the accounting records shall contain—

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- (a) statements of stock held by the company at the end of each financial year of the company,
- (b) all statements of stocktakings from which any such statement of stock as is mentioned in paragraph (a) has been or is to be prepared, and
- (c) except in the case of goods sold by way of ordinary retail trade, statements of all goods sold and purchased, showing the goods and the buyers and sellers in sufficient detail to enable all these to be identified.

## **222 Where and for how long records to be kept**

- (1) Subject as follows, a company's accounting records shall be kept at its registered office or such other place as the directors think fit, and shall at all times be open to inspection by the company's officers.
- (2) If accounting records are kept at a place outside Great Britain, accounts and returns with respect to the business dealt with in the accounting records so kept shall be sent to, and kept at, a place in Great Britain, and shall at all times be open to such inspection.
- (3) The accounts and returns to be sent to Great Britain in accordance with subsection (2) shall be such as to—
  - (a) disclose with reasonable accuracy the financial position of the business in question at intervals of not more than 6 months, and
  - (b) enable the directors to ensure that the company's balance sheet and profit and loss account comply with the requirements of this Act as to the form and content of company accounts and otherwise.
- (4) Accounting records which a company is required by section 221 to keep shall be preserved by it—
  - (a) in the case of a private company, for 3 years from the date on which they are made, and
  - (b) in the case of a public company, for 6 years from that date.

This is subject to any direction with respect to the disposal of records given under winding-up rules under section 663.

## **223 Penalties for non-compliance with ss. 221, 222**

- (1) If a company fails to comply with any provision of section 221 or 222(1) or (2), every officer of the company who is in default is guilty of an offence unless he shows that he acted honestly and that in the circumstances in which the company's business was carried on the default was excusable.
- (2) An officer of a company is guilty of an offence if he fails to take all reasonable steps for securing compliance by the company with section 222(4), or has intentionally caused any default by the company under it
- (3) A person guilty of an offence under this section is liable to imprisonment or a fine, or both.

*A company's accounting reference periods and financial year*

**224 Accounting reference period and date**

- (1) A company's accounting reference periods are determined according to its accounting reference date.
- (2) A company may give notice in the prescribed form to the registrar of companies specifying a date in the calendar year as being the date on which in each successive calendar year an accounting reference period of the company is to be treated as coming to an end; and the date specified in the notice is then the company's accounting reference date.
- (3) However, no such notice has effect unless it is given before the end of 6 months beginning with the date of the company's incorporation ; and, failing such notice, the company's accounting reference date is 31st March.
- (4) A company's first accounting reference period is such period ending with its accounting reference date as begins on the date of its incorporation and is a period of more than 6 months and not more than 18 months; and each successive period of 12 months beginning after the end of the first accounting reference period and ending with the accounting reference date is also an accounting reference period of the company.
- (5) This section is subject to section 225, under which in certain circumstances a company may alter its accounting reference date and accounting reference periods.

**225 Alteration of accounting reference period**

- (1) At any time during a period which is an accounting reference period of a company by virtue of section 224 or 226 the company may give notice in the prescribed form to the registrar of companies specifying a date in the calendar year (" the new accounting reference date ") on which that accounting reference period (" the current accounting reference period ") and each subsequent accounting reference period of the company is to be treated as coming to an end or (as the case may require) as having come to an end.
- (2) At any time after the end of a period which was an accounting reference period of a company by virtue of section 224 or 226 the company may give notice in the prescribed form to the registrar of companies specifying a date in the calendar year (" the new accounting reference date") on which that accounting reference period (" the previous accounting reference period ") and each subsequent accounting reference period of the company is to be treated as coming or (as the case may require) as having come to an end.
- (3) But a notice under subsection (2)—
  - (a) has no effect unless the company is a subsidiary or holding company of another company and the new accounting reference date coincides with the accounting reference date of that other company, and
  - (b) has no effect if the period allowed (under section 242) for laying and delivering accounts in relation to the previous accounting reference period has already expired at the time when the notice is given.
- (4) A notice under this section shall state whether the current or previous accounting reference period of the company—

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- (a) is to be treated as shortened, so as to come to an end or (as the case may require) be treated as having come to an end on the new accounting reference date on the first occasion on which that date falls or fell after the beginning of that accounting reference period, or
  - (b) is to be treated as extended, so as to come to an end or (as the case may require) be treated as having come to an end on the new accounting reference date on the second occasion on which that date falls or fell after the beginning of that accounting reference period.
- (5) A notice which states that the current or previous accounting reference period is to be extended has no effect if the current or previous accounting reference period, as extended in accordance with the notice, would exceed 18 months.
- (6) Subject to any direction given by the Secretary of State under the next subsection, a notice which states that the current or previous accounting reference period is to be extended has no effect unless—
- (a) no earlier accounting reference period of the company has been extended by virtue of a previous notice given by the company under this section, or
  - (b) the notice is given not less than 5 years after the date on which any earlier accounting reference period of the company which was so extended came to an end, or
  - (c) the company is a subsidiary or holding company of another company and the new accounting reference date coincides with the accounting reference date of that other company.
- (7) The Secretary of State may, if he thinks fit, direct that subsection (6) shall not apply to a notice already given by a company under this section or (as the case may be) in relation to a notice which may be so given.

## **226 Consequence of giving notice under s. 225**

- (1) Where a company has given notice with effect in accordance with section 225, and that notice has not been superseded by a subsequent notice by the company which has such effect, the new date specified in the notice is the company's accounting reference date, in substitution for that which, by virtue of section 224 or this section, was its accounting reference date at the time when the notice was given.
- (2) Where by virtue of such a notice one date is substituted for another as the accounting reference date of a company—
- (a) the current or previous accounting reference period, shortened or extended (as the case may be) in accordance with the notice, and
  - (b) each successive period of 12 months beginning after the end of that accounting reference period (as so shortened or extended) and ending with the new accounting reference date,
- is or (as the case may require) is to be treated as having been an accounting reference period of the company, instead of any period which would be an accounting reference period of the company if the notice had not been given.
- (3) Section 225 and this section do not affect any accounting reference period of the company which—
- (a) in the case of a notice under section 225(1), is earlier than the current accounting reference period, or

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- (b) in the case of a notice under section 225(2), is earlier than the previous accounting reference period.

## **227 Directors' duty to prepare annual accounts**

- (1) In the case of every company, the directors shall in respect of each accounting reference period of the company prepare a profit and loss account for the financial year or, if it is a company not trading for profit, an income and expenditure account.
- (2) Where it is the company's first accounting reference period, the financial year begins with the first day of that period and ends with—
- (a) the date on which the accounting reference period ends, or
  - (b) such other date, not more than 7 days before or more than 7 days after the end of that period, as the directors may determine;
- and after that the financial year begins with the day after the date to which the last preceding profit and loss account was made up and ends as mentioned in paragraphs (a) and (b) above.
- (3) The directors shall prepare a balance sheet as at the last day of the financial year.
- (4) In the case of a holding company, the directors shall secure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries coincides with the company's own financial year.

### *Form and content of company individual and group accounts*

## **228 Form and content of individual accounts**

- (1) A company's accounts prepared under section 227 shall comply with the requirements of Schedule 4 (so far as applicable) with respect to the form and content of the balance sheet and profit and loss account and any additional information to be provided by way of notes to the accounts.
- (2) The balance sheet shall give a true and fair view of the state of affairs of the company as at the end of the financial year; and the profit and loss account shall give a true and fair view of the profit or loss of the company for the financial year.
- (3) Subsection (2) overrides—
- (a) the requirements of Schedule 4, and
  - (b) all other requirements of this Act as to the matters to be included in a company's accounts or in notes to those accounts;
- and accordingly the following two subsections have effect.
- (4) If the balance sheet or profit and loss account drawn up in accordance with those requirements would not provide sufficient information to comply with subsection (2), any necessary additional information must be provided in that balance sheet or profit and loss account, or in a note to the accounts.
- (5) If, owing to special circumstances in the case of any company, compliance with any such requirement in relation to the balance sheet or profit and loss account would prevent compliance with subsection (2) (even if additional information were provided in accordance with subsection (4)), the directors shall depart from that requirement in

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preparing the balance sheet or profit and loss account (so far as necessary in order to comply with subsection (2)).

- (6) If the directors depart from any such requirement, particulars of the departure, the reasons for it and its effect shall be given in a note to the accounts.
- (7) Subsections (1) to (6) do not apply to group accounts prepared under the next section ; and subsections (1) and (2) do not apply to a company's profit and loss account (or require the notes otherwise required in relation to that account) if—
- (a) the company has subsidiaries, and
  - (b) the profit and loss account is framed as a consolidated account dealing with all or any of the company's subsidiaries as well as the company, and—
    - (i) complies with the requirements of this Act relating to consolidated profit and loss accounts, and
    - (ii) shows how much of the consolidated profit or loss for the financial year is dealt with in the company's individual accounts.

If group accounts are prepared, and advantage is taken of this subsection, that fact shall be disclosed in a note to the group accounts.

## **229 Group accounts of holding company**

- (1) If at the end of its financial year a company has subsidiaries, the directors shall, as well as preparing individual accounts for that year, also prepare group accounts, being accounts or statements which deal with the state of affairs and profit or loss of the company and the subsidiaries.
- (2) This does not apply if the company is at the end of the financial year the wholly-owned subsidiary of another body corporate incorporated in Great Britain.
- (3) Group accounts need not deal with a subsidiary if the company's directors are of opinion that—
- (a) it is impracticable, or would be of no real value to the company's members, in view of the insignificant amounts involved, or
  - (b) it would involve expense or delay out of proportion to the value to members, or
  - (c) the result would be misleading, or harmful to the business of the company or any of its subsidiaries, or
  - (d) the business of the holding company and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking;
- and, if the directors are of that opinion about each of the company's subsidiaries, group accounts are not required.
- (4) However, the approval of the Secretary of State is required for not dealing in group accounts with a subsidiary on the ground that the result would be harmful or on the ground of difference between the business of the holding company and that of the subsidiary.
- (5) A holding company's group accounts shall be consolidated accounts comprising—
- (a) a consolidated balance sheet dealing with the state of affairs of the company and all the subsidiaries to be dealt with in group accounts, and
  - (b) a consolidated profit and loss account dealing with the profit or loss of the company and those subsidiaries.

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- (6) However, if the directors are of opinion that it is better for the purpose of presenting the same or equivalent information about the state of affairs and profit or loss of the company and those subsidiaries, and of so presenting it that it may be readily appreciated by the company's members, the group accounts may be prepared in other than consolidated form, and in particular may consist—
- (a) of more than one set of consolidated accounts dealing respectively with the company and one group of subsidiaries and with other groups of subsidiaries, or
  - (b) of separate accounts dealing with each of the subsidiaries, or
  - (c) of statements expanding the information about the subsidiaries in the company's individual accounts,
- or of any combination of those forms.
- (7) The group accounts may be wholly or partly incorporated in the holding company's individual balance sheet and profit and loss account

### **230 Form and content of group accounts**

- (1) A holding company's group accounts shall comply with the requirements of Schedule 4 (so far as applicable to group accounts in the form in which those accounts are prepared) with respect to the form and content of those accounts and any additional information to be provided by way of notes to those accounts.
- (2) Group accounts (together with any notes to them) shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with by those accounts as a whole, so far as concerns members of the company.
- (3) Subsection (2) overrides—
- (a) the requirements of Schedule 4, and
  - (b) all other requirements of this Act as to the matters to be included in group accounts or in notes to those accounts,
- and accordingly the following two subsections have effect.
- (4) If group accounts drawn up in accordance with those requirements would not provide sufficient information to comply with subsection (2), any necessary additional information must be provided in, or in a note to, the group accounts.
- (5) If, owing to special circumstances in the case of any company, compliance with any such requirement in relation to its group accounts would prevent those accounts from complying with subsection (2) (even if additional information were provided in accordance with subsection (4)), the directors shall depart from that requirement in preparing the group accounts (so far as necessary to comply with subsection (2)).
- (6) If the directors depart from any such requirement, particulars of that departure, the reason for it and its effect shall be given in a note to the group accounts.
- (7) If the financial year of a subsidiary does not coincide with that of the holding company, the group accounts shall (unless the Secretary of State, on the application or with the consent of the holding company's directors, otherwise directs) deal with the subsidiary's state of affairs as at the end of its relevant financial year, that is—
- (a) if its financial year ends with that of the holding company, that financial year, and

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(b) if not, the subsidiary's financial year ending last before the end of the financial year of the holding company dealt with in the group accounts, and with the subsidiary's profit or loss for its relevant financial year.

(8) The Secretary of State may, on the application or with the consent of a company's directors, modify the requirements of Schedule 4 as they have effect in relation to that company by virtue of subsection (1), for the purpose of adapting them to the company's circumstances; and references above in this section to the requirements of Schedule 4 are then to be read in relation to that company as references to those requirements as modified.

### **231 Additional disclosure required in notes to accounts**

(1) Schedule 5 has effect with respect to additional matters which must be disclosed in company accounts for a financial year; and in that Schedule, where a thing is required to be stated or shown, or information is required to be given, it means that the thing is to be stated or shown, or the information is to be given, in a note to those accounts.

(2) In Schedule 5—

- (a) Parts I and II are concerned, respectively, with the disclosure of particulars of the company's subsidiaries and of its other shareholdings,
- (b) Part III is concerned with the disclosure of financial information relating to subsidiaries,
- (c) Part IV requires a company which is itself a subsidiary to disclose its ultimate holding company,
- (d) Part V is concerned with the emoluments of directors (including emoluments waived), pensions of directors and past directors and compensation for loss of office to directors and past directors, and
- (e) Part VI is concerned with disclosure of the number of the company's employees who are remunerated at higher rates.

(3) Whenever it is stated in Schedule 5 that this subsection applies to certain particulars or information, it means that the particulars or information shall be annexed to the annual return first made by the company after copies of its accounts have been laid before it in general meeting; and if a company fails to satisfy an obligation thus imposed, the company and every officer of it who is in default is liable to a fine and, for continued contravention, to a daily default fine.

(4) It is the duty of any director of a company to give notice to the company of such matters relating to himself as may be necessary for purposes of Part V of Schedule 5 ; and this applies to persons who are or have at any time in the preceding 5 years been officers, as it applies to directors.

A person who makes default in complying with this subsection is liable to a fine.

### **232 Loans in favour of directors and connected persons**

(1) A holding company's group accounts for a financial year shall comply with Part I of Schedule 6 (so far as applicable) as regards the disclosure of transactions, arrangements and agreements there mentioned (loans, quasi-loans and other dealings in favour of directors).



- (2) In the case of a company other than a holding company, its individual accounts shall comply with Part I of Schedule 6 (so far as applicable) as regards disclosure of those matters.
- (3) Particulars which are required by Part I of Schedule 6 to be contained in any accounts shall be given by way of notes to the accounts, and are required in respect of shadow directors as well as directors.
- (4) Where by virtue of section 229(2) or (3) a company does not prepare group accounts for a financial year, subsection (1) of this section requires disclosure of such matters in its individual accounts as would have been disclosed in group accounts.
- (5) The requirements of this section apply with such exceptions as are mentioned in Part I of Schedule 6 (including in particular exceptions for and in respect of recognised banks).

### **233 Loans etc. to company's officers; statement of amounts outstanding**

- (1) A holding company's group accounts for a financial year shall comply with Part II of Schedule 6 (so far as applicable) as regards transactions, arrangements and agreements made by the company or a subsidiary of it for persons who at any time during that financial year were officers of the company (but not directors).
- (2) In the case of a company other than a holding company, its individual accounts shall comply with Part II of Schedule 6 (so far as applicable) as regards those matters.
- (3) Subsections (1) and (2) do not apply in relation to any transaction, arrangement or agreement made by a recognised bank for any of its officers or for any of the officers of its holding company.
- (4) Particulars required by Part II of Schedule 6 to be contained in any accounts shall be given by way of notes to the accounts.
- (5) Where by virtue of section 229(2) or (3) a company does not prepare group accounts for a financial year, subsection (1) of this section requires such matters to be stated in its individual accounts as would have been stated in group accounts.

### **234 Recognised banks: disclosure of dealings with and for directors**

- (1) The group accounts of a company which is, or is the holding company of, a recognised bank, and the individual accounts of any other company which is a recognised bank, shall comply with Part III of Schedule 6 (so far as applicable) as regards transactions, arrangements and agreements made by the company preparing the accounts (if it is a recognised bank) and, in the case of a holding company, by any of its subsidiaries which is a recognised bank, for persons who at any time during the financial year were directors of the company or connected with a director of it.
- (2) Particulars required by Part III of Schedule 6 to be contained in any accounts shall be given by way of notes to those accounts, and are required in respect of shadow directors as well as directors.
- (3) Where by virtue of section 229(2) or (3) a company does not prepare group accounts for a financial year, subsection (1) of this section requires such matters to be stated in its individual accounts as would have been stated in group accounts.

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### *Directors' and auditors' reports*

#### **235 Directors' report**

- (1) In the case of every company there shall for each financial year be prepared a report by the directors—
  - (a) containing a fair review of the development of the business of the company and its subsidiaries during the financial year and of their position at the end of it, and
  - (b) stating the amount (if any) which they recommend should be paid as dividend and the amount (if any) which they propose to carry to reserves.
- (2) The directors' report shall state the names of the persons who, at any time during the financial year, were directors of the company, and the principal activities of the company and its subsidiaries in the course of the year and any significant change in those activities in the year.
- (3) The report shall also state the matters, and give the particulars, required by Part I of Schedule 7 (changes in asset values, directors' shareholdings and other interests, contributions for political and charitable purposes, etc.).
- (4) Part II of Schedule 7 applies as regards the matters to be stated in the directors' report in the circumstances there specified (company acquiring its own shares or a permitted charge on them).
- (5) Parts III, IV and V of Schedule 7 apply respectively as regards the matters to be stated in the directors' report relative to the employment, training and advancement of disabled persons; the health, safety and welfare at work of the company's employees; and the involvement of employees in the affairs, policy and performance of the company.
- (6) If the company's individual accounts are accompanied by group accounts which are special category, the directors' report shall, in addition to complying with Schedule 7, also comply with paragraphs 2 to 6 of Schedule 10 (turnover and profitability: size of labour force and wages paid).
- (7) In respect of any failure to comply with the requirements of this Act as to the matters to be stated, and the particulars to be given, in the directors' report, every person who was a director of the company immediately before the end of the relevant period (meaning whatever is under section 242 the period for laying and delivering accounts) is guilty of an offence and liable to a fine.

In proceedings for an offence under this subsection, it is a defence for the person to prove that he took all reasonable steps for securing compliance with the requirements in question.

#### **236 Auditors' report**

- (1) A company's auditors shall make a report to its members on the accounts examined by them, and on every balance sheet and profit and loss account, and on all group accounts, copies of which are to be laid before the company in general meeting during the auditors' tenure of office.
- (2) The auditors' report shall state—

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- (a) whether in the auditors' opinion the balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with this Act; and
- (b) without prejudice to the foregoing, whether in their opinion a true and fair view is given—
  - (i) in the balance sheet, of the state of the company's affairs at the end of the financial year.
  - (ii) in the profit and loss account (if not framed as a consolidated account), of the company's profit or loss for the financial year, and
  - (iii) in the case of group accounts, of the state of affairs and profit or loss of the company and its subsidiaries dealt with by those accounts, so far as concerns members of the company.

### **237 Auditors' duties and powers**

- (1) It is the duty of the company's auditors, in preparing their report, to carry out such investigations as will enable them to form an opinion as to the following matters—
  - (a) whether proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them,
  - (b) whether the company's balance sheet and (if not consolidated) its profit and loss account are in agreement with the accounting records and returns.
- (2) If the auditors are of opinion that proper accounting records have not been kept, or that proper returns adequate for their audit have not been received from branches not visited by them, or if the balance sheet and (if not consolidated) the profit and loss account are not in agreement with the accounting records and returns, the auditors shall state that fact in their report.
- (3) Every auditor of a company has a right of access at all times to the company's books, accounts and vouchers, and is entitled to require from the company's officers such information and explanations as he thinks necessary for the performance of the auditor's duties.
- (4) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.
- (5) If the requirements of Parts V and VI of Schedule 5 and Parts I to III of Schedule 6 are not complied with in the accounts, it is the auditors' duty to include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.
- (6) It is the auditors' duty to consider whether the information given in the directors' report for the financial year for which the accounts are prepared is consistent with those accounts; and if they are of opinion that it is not, they shall state that fact in their report.

#### *Procedure on completion of accounts*

### **238 Signing of balance sheet; documents to be annexed**

- (1) A company's balance sheet, and every copy of it which is laid before the company in general meeting or delivered to the registrar of companies, shall be signed on behalf

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of the board by two of the directors of the company or, if there is only one director, by that one.

- (2) If a copy of the balance sheet—
- (a) is laid before the company or delivered to the registrar without being signed as required by this section, or
  - (b) not being a copy so laid or delivered, is issued, circulated or published in a case where the balance sheet has not been signed as so required or where (the balance sheet having been so signed) the copy does not include a copy of the signatures or signature, as the case may be,
- the company and every officer of it who is in default is liable to a fine.
- (3) A company's profit and loss account and, so far as not incorporated in its individual balance sheet or profit and loss account, any group accounts of a holding company shall be annexed to the balance sheet, and the auditors' report shall be attached to it.
- (4) Any accounts so annexed shall be approved by the board of directors before the balance sheet is signed on their behalf.

### **239 Documents to be included in company's accounts**

For the purposes of this Part, a company's accounts for a financial year are to be taken as comprising the following documents—

- (a) the company's profit and loss account and balance sheet,
- (b) the directors' report,
- (c) the auditors' report, and
- (d) where the company has subsidiaries and section 229 applies, the company's group accounts.

### **240 Persons entitled to receive accounts as of right**

- (1) In the case of every company, a copy of the company's accounts for the financial year shall, not less than 21 days before the date of the meeting at which they are to be laid in accordance with the next section, be sent to each of the following persons—
- (a) every member of the company (whether or not entitled to receive notice of general meetings),
  - (b) every holder of the company's debentures (whether or not so entitled), and
  - (c) all persons other than members and debenture holders, being persons so entitled.
- (2) In the case of a company not having a share capital, subsection (1) does not require a copy of the accounts to be sent to a member of the company who is not entitled to receive notices of general meetings of the company, or to a holder of the company's debentures who is not so entitled.
- (3) Subsection (1) does not require copies of the accounts to be sent—
- (a) to a member of the company or a debenture holder, being in either case a person who is not entitled to receive notices of general meetings, and of whose address the company is unaware, or
  - (b) to more than one of the joint holders of any shares or debentures none of whom are entitled to receive such notices, or

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- (c) in the case of joint holders of shares or debentures some of whom are, and some not, entitled to receive such notices, to those who are not so entitled.
- (4) If copies of the accounts are sent less than 21 days before the date of the meeting, they are, notwithstanding that fact, deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting.
- (5) If default is made in complying with subsection (1), the company and every officer of it who is in default is liable to a fine.

#### **241 Directors' duty to lay and deliver accounts**

- (1) In respect of each financial year of a company the directors shall lay before the company in general meeting copies of the accounts of the company for that year.
- (2) The auditors' report shall be read before the company in general meeting, and be open to the inspection of any member of the company.
- (3) In respect of each financial year the directors—
  - (a) shall deliver to the registrar of companies a copy of the accounts for the year, and
  - (b) if any document comprised in the accounts is in a language other than English, shall annex to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.
- (4) In the case of an unlimited company, the directors are not required by subsection (3) to deliver a copy of the accounts if—
  - (a) at no time during the accounting reference period has the company been, to its knowledge, the subsidiary of a company that was then limited and at no such time, to its knowledge, have there been held or been exercisable, by or on behalf of two or more companies that were then limited, shares or powers which, if they had been held or been exercisable by one of them, would have made the company its subsidiary, and
  - (b) at no such time has the company been the holding company of a company which was then limited, and
  - (c) at no such time has the company been carrying on business as the promoter of a trading stamp scheme within the Trading Stamps Act 1964.

References here to a company that was limited at a particular time are to a body corporate (under whatever law incorporated) the liability of whose members was at that time limited.

#### **242 Period allowed for laying and delivery**

- (1) The period allowed for laying and delivering a company's accounts for a financial year is as follows in this section, being determined by reference to the end of the relevant accounting reference period (that is, the accounting reference period in respect of which the financial year of the company is ascertained).
- (2) Subject to the following subsections, the period allowed is—
  - (a) for a private company, 10 months after the end of the relevant accounting reference period, and
  - (b) for a public company, 7 months after the end of that period.

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- (3) If a company carries on business, or has interests, outside the United Kingdom, the Channel Islands and the Isle of Man and in respect of a financial year the directors (before the end of the period allowed by subsection (2)) give to the registrar of companies notice in the prescribed form—
- (a) stating that the company so carries on business or has such interests, and
  - (b) claiming an extension of the period so allowed by a further 3 months,
- the period allowed in relation to that financial year is then so extended.
- (4) Where a company's first accounting reference period—
- (a) begins on the date of its incorporation, and
  - (b) is a period of more than 12 months,
- the period otherwise allowed for laying and delivering accounts is reduced by the number of days by which the relevant accounting reference period is longer than 12 months.
- However, the period allowed is not by this provision reduced to less than 3 months after the end of that accounting reference period.
- (5) Where a company's relevant accounting reference period has been shortened under section 226 (in consequence of notice by the company under section 225), the period allowed for laying and delivering accounts is—
- (a) the period allowed in accordance with subsections (2) to (4) above, or
  - (b) the period of 3 months beginning with the date of the notice under section 225,
- whichever of those periods last expires.
- (6) If for any special reason the Secretary of State thinks fit to do so, he may by notice in writing to a company extend, by such further period as may be specified in the notice, the period otherwise allowed for laying and delivering accounts for any financial year of the company.

#### **243 Penalty for non-compliance with s. 241**

- (1) If for a financial year of a company any of the requirements of section 241(1) or (3) is not complied with before the end of the period allowed for laying and delivering accounts, every person who immediately before the end of that period was a director of the company is, in respect of each of those subsections which is not so complied with, guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.
- (2) If a person is charged with that offence in respect of any of the requirements of section 241(1) or (3), it is a defence for him to prove that he took all reasonable steps for securing that those requirements would be complied with before the end of the period allowed for laying and delivering accounts.
- (3) If in respect of the company's financial year any of the requirements of section 241(3) is not complied with before the end of the period allowed for laying and delivering accounts, the company is liable to a penalty, recoverable in civil proceedings by the Secretary of State.
- (4) The amount of the penalty is determined by reference to the length of the period between the end of the accounting reference period and the earliest day by which all those requirements have been complied with, and is—

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- (a) £20 where the period is not more than one month,
  - (b) £50 where the period is more than 1 month but not more than 3 months,
  - (c) £100 where the period is more than 3 months but not more than 6 months,
  - (d) £200 where the period is more than 6 months but not more than 12 months, and
  - (e) £450 where the period is more than 12 months.
- (5) In proceedings under this section with respect to a requirement to lay a copy of a document before a company in general meeting, or to deliver a copy of a document to the registrar of companies, it is not a defence to prove that the document in question was not in fact prepared as required by this Part.
- (6) Subsections (3) and (4) of this section do not come into force unless and until made to do so by an order of the Secretary of State in a statutory instrument.

#### **244 Default order in case of non-compliance**

- (1) If—
- (a) in respect of a company's financial year any of the requirements of section 241(3) has not been complied with before the end of the period allowed for laying and delivering accounts, and
  - (b) the directors of the company fail to make good the default within 14 days after the service of a notice on them requiring compliance,
- the court may, on application by any member or creditor of the company, or by the registrar of companies, make an order directing the directors (or any of them) to make good the default within such time as may be specified in the order.
- (2) The court's order may provide that all costs of and incidental to the application shall be borne by the directors.
- (3) Nothing in this section prejudices section 243.

#### **245 Penalty for laying or delivering defective accounts**

- (1) If any accounts of a company of which a copy is laid before the company in general meeting or delivered to the registrar of companies do not comply with the requirements of this Act as to the matters to be included in, or in a note to, those accounts, every person who at the time when the copy is so laid or delivered is a director of the company is guilty of an offence and, in respect of each offence, liable to a fine.

This subsection does not apply to a company's group accounts.

- (2) If any group accounts of which a copy is laid before a company in general meeting or delivered to the registrar of companies do not comply with section 229(5) to (7) or section 230, and with the other requirements of this Act as to the matters to be included in or in a note to those accounts, every person who at the time when the copy was so laid or delivered was a director of the company is guilty of an offence and liable to a fine.
- (3) In proceedings against a person for an offence under this section, it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

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## **246 Shareholders' right to obtain copies of accounts**

- (1) Any member of a company, whether or not he is entitled to have sent to him copies of the company's accounts, and any holder of the company's debentures (whether or not so entitled) is entitled to be furnished (on demand and without charge) with a copy of its last accounts.
- (2) If, when a person makes a demand for a document with which he is entitled by this section to be furnished, default is made in complying with the demand within 7 days after its making, the company and every officer of it who is in default is liable to a fine and, for continued contravention, to a daily default fine (unless it is proved that the person has already made a demand for, and been furnished with, a copy of the document).

### *Modified accounts*

## **247 Entitlement to deliver accounts in modified form**

- (1) In certain cases a company's directors may, in accordance with Part I of Schedule 8, deliver modified accounts in respect of a financial year; and whether they may do so depends on the company qualifying, in particular financial years, as small or medium-sized.
- (2) Modified accounts for a financial year may not be delivered in the case of a company which is, or was at any time in that year—
  - (a) a public company,
  - (b) a special category company (Chapter II of this Part), or
  - (c) subject to the next-but-one subsection, a member of a group which is ineligible for this purpose.
- (3) " Group " here means a holding company and its subsidiaries together; and a group is ineligible if any of its members is—
  - (a) a public company or a special category company, or
  - (b) a body corporate (other than a company) which has power under its constitution to offer its shares or debentures to the public and may lawfully exercise that power, or
  - (c) a body corporate (other than a company) which is either a recognised bank or licensed institution within the Banking Act 1979 or an insurance company to which Part II of the Insurance Companies Act 1982 applies.
- (4) Notwithstanding subsection (2)(c), modified accounts for a financial year may be delivered if the company is exempt under section 252 (dormant companies) from the obligation to appoint auditors and either—
  - (a) was so exempt throughout that year, or
  - (b) became so exempt by virtue of a special resolution under that section passed during that year.
- (5) For purposes of sections 247 to 250 and Schedule 8, " deliver " means deliver to the registrar of companies under this Chapter; and for purposes of subsection (3)(b), " shares " and " debentures " have the same meaning as when used in relation to a company.



## **248 Qualification of company as small or medium-sized**

- (1) A company qualifies as small in a financial year if for that year two or more of the following conditions are satisfied—
  - (a) the amount of its turnover for the year is not more than £1.4 million;
  - (b) its balance sheet total is not more than £700,000;
  - (c) the average number of persons employed by the company in the year (determined on a weekly basis) does not exceed 50.
- (2) A company qualifies as medium-sized in a financial year if for that year two or more of the following conditions are satisfied—
  - (a) the amount of its turnover for the year is not more than £5.75 million;
  - (b) its balance sheet total is not more than £2.8 million;
  - (c) the average number of persons employed by the company in the year (determined on a weekly basis) does not exceed 250.
- (3) In subsections (1) and (2), "balance sheet total" means, in relation to a company's financial year—
  - (a) where in the company's accounts Format I of the balance sheet formats set out in Part I of Schedule 4 is adopted, the aggregate of the amounts shown in the balance sheet under the headings corresponding to items A to D in that Format, and
  - (b) where Format 2 is adopted, the aggregate of the amounts shown under the general heading "Assets".
- (4) The average number of persons employed as mentioned in subsections (1)(c) and (2)(c) is determined by applying the method of calculation prescribed by paragraph 56(2) and (3) of Schedule 4 for determining the number required by sub-paragraph (1)(a) of that paragraph to be stated in a note to the company's accounts.
- (5) In applying subsections (1) and (2) to a period which is a company's financial year but not in fact a year, the maximum figures for turnover in paragraph (a) of each subsection are to be proportionately adjusted.

## **249 Modified individual accounts**

- (1) This section specifies the cases in which a company's directors may (subject to section 250, where the company has subsidiaries) deliver individual accounts modified as for a small or a medium-sized company; and Part I of Schedule 8 applies with respect to the deliver) of accounts so modified.
- (2) In respect of the company's first financial year the directors may—
  - (a) deliver accounts modified as for a small company, if in that year it qualifies as small,
  - (b) deliver accounts modified as for a medium-sized company, if in that year it qualifies as medium-sized.
- (3) The next three subsections are concerned only with a company's financial year subsequent to the first.
- (4) The directors may in respect of a financial year—
  - (a) deliver accounts modified as for a small company if in that year the company qualifies as small and it also so qualified in the preceding year,

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- (b) deliver accounts modified as for a medium-sized company if in that year the company qualifies as medium-sized and it also so qualified in the preceding year.
- (5) The directors may in respect of a financial year—
  - (a) deliver accounts modified as for a small company (al though not qualifying in that year as small), if in the preceding year it so qualified and the directors were entitled to deliver accounts so modified in respect of that year, and
  - (b) deliver accounts modified as for a medium-sized company (although not qualifying in that year as medium-sized), if in the preceding year it so qualified and the directors were entitled to deliver accounts so modified in respect of that year.
- (6) The directors may in respect of a financial year—
  - (a) deliver accounts modified as for a small company, if in that year the company qualifies as small and the directors were entitled under subsection (5)(a) to deliver accounts so modified for the preceding year (although the company did not in that year qualify as small), and
  - (b) deliver accounts modified as for a medium-sized company if in that year the company qualifies as medium-sized and the directors were entitled under subsection (5)(b) to deliver accounts so modified for the preceding year (although the company did not in that year qualify as medium-sized).

## **250 Modified accounts of holding company**

- (1) This section applies to a company (" the holding company ") where in respect of a financial year section 229 requires the preparation of group accounts for the company and its subsidiaries.
- (2) The directors of the holding company may not under section 249—
  - (a) deliver accounts modified as for a small company, un less the group (meaning the holding company and its subsidiaries together) is in that year a small group,
  - (b) deliver accounts modified as for a medium-sized company, unless in that year the group is medium-sized ;
 and the group is small or medium-sized if it would so qualify under section 248 (applying that section as directed by subsections (3) and (4) below), if it were all one company.
- (3) The figures to be taken into account in determining whether the group is small or medium-sized (or neither) are the group account figures, that is—
  - (a) where the group accounts are prepared as consolidated accounts, the figures for turnover, balance sheet total and numbers employed which are shown in those accounts, and
  - (b) where not, the corresponding figures given in the group accounts, with such adjustment as would have been made if the accounts had been prepared in consolidated form,
 aggregated in either case with the relevant figures for the subsidiaries (if any) omitted from the group accounts (excepting those for any subsidiary omitted under section 229(3)(a) on the ground of impracticability).
- (4) In the case of each subsidiary omitted from the group accounts, the figures relevant as regards turnover, balance sheet total and numbers employed are those which are

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included in the accounts of that subsidiary prepared in respect of its relevant financial year (with such adjustment as would have been made if those figures had been included in group accounts prepared in consolidated form).

- (5) For the purposes of subsection (4), the relevant financial year of the subsidiary is—
- (a) if its financial year ends with that of the holding company to which the group accounts relate, that financial year, and
  - (b) if not, the subsidiary's financial year ending last before the end of the financial year of the holding company.
- (6) If the directors are entitled to deliver modified accounts (whether as for a small or a medium-sized company), they may also deliver modified group accounts; and this means that the group accounts—
- (a) if consolidated, may be in accordance with Part II of Schedule 8 (while otherwise comprising or corresponding with group accounts prepared under section 229). and
  - (b) if not consolidated, may be such as (together with any notes) give the same or equivalent information as required by paragraph (a) above;
- and Part III of the Schedule applies to modified group accounts, whether consolidated or not.

## **251 Power of Secretary of State to modify ss. 247-250 and Sch. 8**

- (1) The Secretary of State may by regulations in a statutory instrument modify the provisions of sections 247(1) to (3), 248 to 250 and Schedule 8 ; and those provisions then apply as modified by regulations for the time being in force.
- (2) Regulations under this section reducing the classes of companies which have the benefit of those provisions, or rendering the requirements of those provisions more onerous, shall not be made unless a draft of the instrument containing the regulations has been laid before Parliament and approved by a resolution of each House.
- (3) Otherwise, a statutory instrument containing such regulations is subject to annulment in pursuance of a resolution of either House.

### *Dormant companies*

## **252 Company resolution not to appoint auditors**

- (1) In certain circumstances a company may, with a view to the subsequent laying and delivery of unaudited accounts, pass a special resolution making itself exempt from the obligation to appoint auditors as otherwise required by section 384.
- (2) Such a resolution may be passed at a general meeting of the company at which its accounts for a financial year are laid as required by section 241 (if it is not a year for which the directors are required to lay group accounts); but the following conditions must be satisfied—
- (a) the directors must be entitled under section 249 to deliver, in respect of that financial year, accounts modified as for a small company (or would be so entitled but for the company being, or having at any time in the financial year been, a member of an ineligible group within section 247 (3)), and
  - (b) the company must have been dormant since the end of the financial year.

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- (3) A company may by such a resolution make itself exempt from the obligation to appoint auditors if the resolution is passed at some time before the first general meeting of the company at which accounts are laid as required by section 241, provided that the company has been dormant from the time of its formation until the resolution is passed.
- (4) A company may not under subsection (3) pass such a resolution if it is a public company or a special category company.
- (5) For purposes of this and the next section, a company is "dormant" during any period in which no transaction occurs which is for the company a significant accounting transaction; and—
  - (a) this means a transaction which is required by section 221 to be entered in the company's accounting records (disregarding any which arises from the taking of shares in the company by a subscriber to the memorandum in pursuance of an undertaking of his hi the memorandum), and
  - (b) a company which has been dormant for any period ceases to be so on the occurrence of any such transaction.
- (6) A company which has under this section made itself exempt from the obligation to appoint auditors loses that exemption if—
  - (a) it ceases to be dormant, or
  - (b) it would no longer qualify (for any other reason) to exclude that obligation by passing a resolution under this section.
- (7) Where the exemption is lost, the directors may, at any time before the next meeting of the company at which accounts are to be laid, appoint an auditor or auditors, to hold office until the conclusion of that meeting; and if they fail to exercise that power, the company in general meeting may exercise it

### **253 Laying and delivery of unaudited accounts**

- (1) The following applies in respect of a company's accounts for a financial year if the company is exempt under section 252 from the obligation to appoint auditors and either—
  - (a) was so exempt throughout that year, or
  - (b) became so exempt by virtue of a special resolution passed during that year, and retained the exemption until the end of that year.
- (2) A report by the company's auditors need not be included (as otherwise required by preceding provisions of this Chapter) with the accounts laid before the company in general meeting and delivered to the registrar of companies.
- (3) If the auditors' report is omitted from the accounts so delivered, then—
  - (a) the balance sheet shall contain a statement by the directors (in a position immediately above their signatures to the balance sheet) that the company was dormant throughout the financial year, and
  - (b) if the accounts delivered to the registrar are modified as permitted by sections 247 to 249—
    - (i) the modified balance sheet need not contain the statement otherwise required by paragraph 9 of Schedule 8, and
    - (ii) the modified accounts need not include the special report of the auditors otherwise required by paragraph 10 of that Schedule.

### *Publication of accounts*

#### **254 Publication of full company accounts**

- (1) This section applies to the publication by a company of full individual or group accounts, that is to say the accounts required by section 241 to be laid before the company in general meeting and delivered to the registrar of companies (including the directors' report, unless dispensed with under paragraph 3 of Schedule 8).
- (2) If a company publishes individual accounts (modified or other) for a financial year, it shall publish with them the relevant auditors' report.
- (3) If a company required by section 229 to prepare group accounts for a financial year publishes individual accounts for that year, it shall also publish with them its group accounts (which may be modified accounts, but only if the individual accounts are modified).
- (4) If a company publishes group accounts (modified or other), otherwise than together with its individual accounts, it shall publish with them the relevant auditors' report.
- (5) References above to the relevant auditors' report are to the auditors' report under section 236 or, in the case of modified accounts (individual or group), the auditors' special report under paragraph 10 of Schedule 8.
- (6) A company which contravenes any provision of this section, and any officer of it who is in default, is liable to a fine.

#### **255 Publication of abridged accounts**

- (1) This section applies to the publication by a company of abridged accounts, that is to say any balance sheet or profit and loss account relating to a financial year of the company or purporting to deal with any such financial year, otherwise than as part of full accounts (individual or group) to which section 254 applies.
- (2) The reference above to a balance sheet or profit and loss account, in relation to accounts published by a holding company, includes an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the holding company and its subsidiaries.
- (3) If the company publishes abridged accounts, it shall publish with those accounts a statement indicating—
  - (a) that the accounts are not full accounts,
  - (b) whether full individual or full group accounts (according as the abridged accounts deal solely with the company's own affairs or with the affairs of the company and any subsidiaries) have been delivered to the registrar of companies or, in the case of an unlimited company exempt under section 241(4) from the requirement to deliver accounts, that the company is so exempt,
  - (c) whether the company's auditors have made a report under section 236 on the company's accounts for any financial year with which the abridged accounts purport to deal, and
  - (d) whether any report so made was unqualified (meaning that it was a report, without qualification, to the effect that in the opinion of the person making it the company's accounts had been properly prepared).

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- (4) Where a company publishes abridged accounts, it shall not publish with those accounts any such report of the auditors as is mentioned in subsection (3)(c).
- (5) A company which contravenes any provision of this section, and any officer of it who is in default, is liable to a fine.

### *Supplementary*

## **256 Power of Secretary of State to alter accounting requirements**

- (1) The Secretary of State may by regulations in a statutory instrument—
  - (a) add to the classes of documents—
    - (i) to be comprised in a company's accounts for a financial year to be laid before the company in general meeting as required by section 241, or
    - (ii) to be delivered to the registrar of companies under that section, and make provision as to the matters to be included in any document to be added to either class;
  - (b) modify the requirements of this Act as to the matters to be stated in a document of any such class;
  - (c) reduce the classes of documents to be delivered to the registrar of companies under section 241.
- (2) In particular, the Secretary of State may by such regulations alter or add to the requirements of Schedule 4 and Schedule 9 (special category companies); and any reference in this Act to a provision of it then refers to that provision as it has effect subject to regulations in force under this section.
- (3) Where regulations made under subsection (1)(a) add to either class of documents there mentioned documents dealing with the state of affairs and profit or loss of a company and other bodies, the regulations may also—
  - (a) extend the provisions of this Act relating to group accounts (or such of those provisions as may be specified) to such documents,
  - (b) exempt that company from the requirement to prepare group accounts in respect of any period for which it has prepared such a document.
- (4) Regulations under this section may make different provision for different cases or classes of case, and may contain such incidental and supplementary provisions as the Secretary of State thinks fit.
- (5) Regulations under subsection (1)(a), or extending the classes of company to which any requirement mentioned in subsection (1)(b) applies or rendering those requirements more onerous, shall not be made unless a draft of the instrument containing them has been laid before Parliament and approved by a resolution of each House.
- (6) Otherwise, a statutory instrument containing such regulations is subject to annulment in pursuance of a resolution of either House.