



Companies Act 2006

2006 CHAPTER 46

PART 15

ACCOUNTS AND REPORTS

CHAPTER 12

SUPPLEMENTARY PROVISIONS

Liability for false or misleading statements in reports

463 Liability for false or misleading statements in reports

- (1) The reports to which this section applies are—
 - (a) the directors' report,
 - (b) the directors' remuneration report, and
 - (c) a summary financial statement so far as it is derived from either of those reports.
- (2) A director of a company is liable to compensate the company for any loss suffered by it as a result of—
 - (a) any untrue or misleading statement in a report to which this section applies, or
 - (b) the omission from a report to which this section applies of anything required to be included in it.
- (3) He is so liable only if—
 - (a) he knew the statement to be untrue or misleading or was reckless as to whether it was untrue or misleading, or
 - (b) he knew the omission to be dishonest concealment of a material fact.

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- (4) No person shall be subject to any liability to a person other than the company resulting from reliance, by that person or another, on information in a report to which this section applies.
- (5) The reference in subsection (4) to a person being subject to a liability includes a reference to another person being entitled as against him to be granted any civil remedy or to rescind or repudiate an agreement.
- (6) This section does not affect—
 - (a) liability for a civil penalty, or
 - (b) liability for a criminal offence.

Accounting and reporting standards

464 Accounting standards

- (1) In this Part “accounting standards” means statements of standard accounting practice issued by such body or bodies as may be prescribed by regulations.
- (2) References in this Part to accounting standards applicable to a company’s annual accounts are to such standards as are, in accordance with their terms, relevant to the company’s circumstances and to the accounts.
- (3) Regulations under this section may contain such transitional and other supplementary and incidental provisions as appear to the Secretary of State to be appropriate.

Companies qualifying as medium-sized

465 Companies qualifying as medium-sized: general

- (1) A company qualifies as medium-sized in relation to its first financial year if the qualifying conditions are met in that year.
- (2) A company qualifies as medium-sized in relation to a subsequent financial year—
 - (a) if the qualifying conditions are met in that year and the preceding financial year;
 - (b) if the qualifying conditions are met in that year and the company qualified as medium-sized in relation to the preceding financial year;
 - (c) if the qualifying conditions were met in the preceding financial year and the company qualified as medium-sized in relation to that year.
- (3) The qualifying conditions are met by a company in a year in which it satisfies two or more of the following requirements—

| | |
|------------------------|-----------------------------|
| 1. Turnover | Not more than £22.8 million |
| 2. Balance sheet total | Not more than £11.4 million |
| 3. Number of employees | Not more than 250 |

- (4) For a period that is a company’s financial year but not in fact a year the maximum figures for turnover must be proportionately adjusted.

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- (5) The balance sheet total means the aggregate of the amounts shown as assets in the company's balance sheet.
- (6) The number of employees means the average number of persons employed by the company in the year, determined as follows—
 - (a) find for each month in the financial year the number of persons employed under contracts of service by the company in that month (whether throughout the month or not),
 - (b) add together the monthly totals, and
 - (c) divide by the number of months in the financial year.
- (7) This section is subject to section 466 (companies qualifying as medium-sized: parent companies).

466 Companies qualifying as medium-sized: parent companies

- (1) A parent company qualifies as a medium-sized company in relation to a financial year only if the group headed by it qualifies as a medium-sized group.
- (2) A group qualifies as medium-sized in relation to the parent company's first financial year if the qualifying conditions are met in that year.
- (3) A group qualifies as medium-sized in relation to a subsequent financial year of the parent company—
 - (a) if the qualifying conditions are met in that year and the preceding financial year;
 - (b) if the qualifying conditions are met in that year and the group qualified as medium-sized in relation to the preceding financial year;
 - (c) if the qualifying conditions were met in the preceding financial year and the group qualified as medium-sized in relation to that year.
- (4) The qualifying conditions are met by a group in a year in which it satisfies two or more of the following requirements—

| | |
|----------------------------------|---|
| 1. Aggregate turnover | Not more than £22.8 million net (or £27.36 million gross) |
| 2. Aggregate balance sheet total | Not more than £11.4 million net (or £13.68 million gross) |
| 3. Aggregate number of employees | Not more than 250 |

- (5) The aggregate figures are ascertained by aggregating the relevant figures determined in accordance with section 465 for each member of the group.
- (6) In relation to the aggregate figures for turnover and balance sheet total—

“net” means after any set-offs and other adjustments made to eliminate group transactions—

 - (a) in the case of Companies Act accounts, in accordance with regulations under section 404,
 - (b) in the case of IAS accounts, in accordance with international accounting standards; and

“gross” means without those set-offs and other adjustments.

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A company may satisfy any relevant requirement on the basis of either the net or the gross figure.

- (7) The figures for each subsidiary undertaking shall be those included in its individual accounts for the relevant financial year, that is—
- (a) if its financial year ends with that of the parent company, that financial year, and
 - (b) if not, its financial year ending last before the end of the financial year of the parent company.

If those figures cannot be obtained without disproportionate expense or undue delay, the latest available figures shall be taken.

467 Companies excluded from being treated as medium-sized

- (1) A company is not entitled to take advantage of any of the provisions of this Part relating to companies qualifying as medium-sized if it was at any time within the financial year in question—
- (a) a public company,
 - (b) a company that—
 - (i) has permission under Part 4 of the Financial Services and Markets Act 2000 (c. 8) to carry on a regulated activity, or
 - (ii) carries on insurance market activity, or
 - (c) a member of an ineligible group.
- (2) A group is ineligible if any of its members is—
- (a) a public company,
 - (b) a body corporate (other than a company) whose shares are admitted to trading on a regulated market,
 - (c) a person (other than a small company) who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity,
 - (d) a small company that is an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company, or
 - (e) a person who carries on insurance market activity.
- (3) A company is a small company for the purposes of subsection (2) if it qualified as small in relation to its last financial year ending on or before the end of the financial year in question.

General power to make further provision about accounts and reports

468 General power to make further provision about accounts and reports

- (1) The Secretary of State may make provision by regulations about—
- (a) the accounts and reports that companies are required to prepare;
 - (b) the categories of companies required to prepare accounts and reports of any description;

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- (c) the form and content of the accounts and reports that companies are required to prepare;
 - (d) the obligations of companies and others as regards—
 - (i) the approval of accounts and reports,
 - (ii) the sending of accounts and reports to members and others,
 - (iii) the laying of accounts and reports before the company in general meeting,
 - (iv) the delivery of copies of accounts and reports to the registrar, and
 - (v) the publication of accounts and reports.
- (2) The regulations may amend this Part by adding, altering or repealing provisions.
- (3) But they must not amend (other than consequentially)—
- (a) section 393 (accounts to give true and fair view), or
 - (b) the provisions of Chapter 11 (revision of defective accounts and reports).
- (4) The regulations may create criminal offences in cases corresponding to those in which an offence is created by an existing provision of this Part.

The maximum penalty for any such offence may not be greater than is provided in relation to an offence under the existing provision.

- (5) The regulations may provide for civil penalties in circumstances corresponding to those within section 453(1) (civil penalty for failure to file accounts and reports).

The provisions of section 453(2) to (5) apply in relation to any such penalty.

Other supplementary provisions

469 Preparation and filing of accounts in euros

- (1) The amounts set out in the annual accounts of a company may also be shown in the same accounts translated into euros.
- (2) When complying with section 441 (duty to file accounts and reports), the directors of a company may deliver to the registrar an additional copy of the company's annual accounts in which the amounts have been translated into euros.
- (3) In both cases—
- (a) the amounts must have been translated at the exchange rate prevailing on the date to which the balance sheet is made up, and
 - (b) that rate must be disclosed in the notes to the accounts.
- (4) For the purposes of sections 434 and 435 (requirements in connection with published accounts) any additional copy of the company's annual accounts delivered to the registrar under subsection (2) above shall be treated as statutory accounts of the company.

In the case of such a copy, references in those sections to the auditor's report on the company's annual accounts shall be read as references to the auditor's report on the annual accounts of which it is a copy.

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470 Power to apply provisions to banking partnerships

- (1) The Secretary of State may by regulations apply to banking partnerships, subject to such exceptions, adaptations and modifications as he considers appropriate, the provisions of this Part (and of regulations made under this Part) applying to banking companies.
- (2) A “banking partnership” means a partnership which has permission under Part 4 of the Financial Services and Markets Act 2000 (c. 8)

But a partnership is not a banking partnership if it has permission to accept deposits only for the purpose of carrying on another regulated activity in accordance with that permission.

- (3) Expressions used in this section that are also used in the provisions regulating activities under the Financial Services and Markets Act 2000 have the same meaning here as they do in those provisions.

See section 22 of that Act, orders made under that section and Schedule 2 to that Act.

- (4) Regulations under this section are subject to affirmative resolution procedure.

471 Meaning of “annual accounts” and related expressions

- (1) In this Part a company’s “annual accounts”, in relation to a financial year, means—
 - (a) the company’s individual accounts for that year (see section 394), and
 - (b) any group accounts prepared by the company for that year (see sections 398 and 399).

This is subject to section 408 (option to omit individual profit and loss account from annual accounts where information given in group accounts).

- (2) In the case of an unquoted company, its “annual accounts and reports” for a financial year are—
 - (a) its annual accounts,
 - (b) the directors' report, and
 - (c) the auditor’s report on those accounts and the directors' report (unless the company is exempt from audit).
- (3) In the case of a quoted company, its “annual accounts and reports” for a financial year are—
 - (a) its annual accounts,
 - (b) the directors' remuneration report,
 - (c) the directors' report, and
 - (d) the auditor’s report on those accounts, on the auditable part of the directors' remuneration report and on the directors' report.

472 Notes to the accounts

- (1) Information required by this Part to be given in notes to a company’s annual accounts may be contained in the accounts or in a separate document annexed to the accounts.

- (2) References in this Part to a company's annual accounts, or to a balance sheet or profit and loss account, include notes to the accounts giving information which is required by any provision of this Act or international accounting standards, and required or allowed by any such provision to be given in a note to company accounts.

473 Parliamentary procedure for certain regulations under this Part

- (1) This section applies to regulations under the following provisions of this Part—
section 396 (Companies Act individual accounts),
section 404 (Companies Act group accounts),
section 409 (information about related undertakings),
section 412 (information about directors' benefits: remuneration, pensions and compensation for loss of office),
section 416 (contents of directors' report: general),
section 421 (contents of directors' remuneration report),
section 444 (filing obligations of companies subject to small companies regime),
section 445 (filing obligations of medium-sized companies),
section 468 (general power to make further provision about accounts and reports).
- (2) Any such regulations may make consequential amendments or repeals in other provisions of this Act, or in other enactments.
- (3) Regulations that—
(a) restrict the classes of company which have the benefit of any exemption, exception or special provision,
(b) require additional matter to be included in a document of any class, or
(c) otherwise render the requirements of this Part more onerous,
are subject to affirmative resolution procedure.
- (4) Otherwise, the regulations are subject to negative resolution procedure.

474 Minor definitions

- (1) In this Part—
“e-money issuer” means a person who has permission under Part 4 of the Financial Services and Markets Act 2000 (c. 8) to carry on the activity of issuing electronic money within the meaning of article 9B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544);
“group” means a parent undertaking and its subsidiary undertakings;
“IAS Regulation” means EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards;
“included in the consolidation”, in relation to group accounts, or “included in consolidated group accounts”, means that the undertaking is included in the accounts by the method of full (and not proportional) consolidation, and

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references to an undertaking excluded from consolidation shall be construed accordingly;

“international accounting standards” means the international accounting standards, within the meaning of the IAS Regulation, adopted from time to time by the European Commission in accordance with that Regulation;

“ISD investment firm” has the meaning given by the Glossary forming part of the Handbook made by the Financial Services Authority under the Financial Services and Markets Act 2000;

“profit and loss account”, in relation to a company that prepares IAS accounts, includes an income statement or other equivalent financial statement required to be prepared by international accounting standards;

“regulated activity” has the meaning given in section 22 of the Financial Services and Markets Act 2000, except that it does not include activities of the kind specified in any of the following provisions of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (

[S.I. 2001/544](#)

)—

- (a) article 25A (arranging regulated mortgage contracts),
- (b) article 25B (arranging regulated home reversion plans),
- (c) article 25C (arranging regulated home purchase plans),
- (d) article 39A (assisting administration and performance of a contract of insurance),
- (e) article 53A (advising on regulated mortgage contracts),
- (f) article 53B (advising on regulated home reversion plans),
- (g) article 53C (advising on regulated home purchase plans),
- (h) article 21 (dealing as agent), article 25 (arranging deals in investments) or article 53 (advising on investments) where the activity concerns relevant investments that are not contractually based investments (within the meaning of article 3 of that Order), or
- (i) article 64 (agreeing to carry on a regulated activity of the kind mentioned in paragraphs (a) to (h));

“turnover”, in relation to a company, means the amounts derived from the provision of goods and services falling within the company’s ordinary activities, after deduction of—

- (a) trade discounts,
- (b) value added tax, and
- (c) any other taxes based on the amounts so derived;

“UCITS management company” has the meaning given by the Glossary forming part of the Handbook made by the Financial Services Authority under the Financial Services and Markets Act

[2000 \(c. 8\)](#)

- (2) In the case of an undertaking not trading for profit, any reference in this Part to a profit and loss account is to an income and expenditure account.

References to profit and loss and, in relation to group accounts, to a consolidated profit and loss account shall be construed accordingly.