



Companies Act 1985

1985 CHAPTER 6

PART VII

ACCOUNTS AND AUDIT

CHAPTER I

PROVISIONS APPLYING TO COMPANIES GENERALLY

[^{F1} Annual accounts]

Textual Amendments

- F1** New s. 226 inserted (subject to the saving and transitional provisions in [S.I. 1990/355](#), arts. 6–9, [Sch. 2](#), by [Companies Act 1989](#) (c. 40, SIF 27), [ss. 1, 4\(1\), 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

226 Duty to prepare individual company accounts.

- (1) The directors of every company shall prepare for each financial year of the company—
- a balance sheet as at the last day of the year, and
 - a profit and loss account.

Those accounts are referred to in this Part as the company's "individual 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) A company's individual accounts shall comply with the provisions of Schedule 4 as to the form and content of the balance sheet and profit and loss account and additional information to be provided by way of notes to the accounts.

Status: Point in time view as at 01/02/1991. This version of this cross heading contains provisions that are not valid for this point in time.

Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Annual accounts. (See end of Document for details)

- (4) Where compliance with the provisions of that Schedule, and the other provisions of this Act as to the matters to be included in a company's individual accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information shall be given in the accounts or in a note to them.
- (5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors shall depart from that provision to the extent necessary to give a true and fair view.

Particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.

Modifications etc. (not altering text)

- C1 S. 226 modified (*temp.*) (in force in accordance with s. 3 of the amending Act) by 1999 c. iv, ss. 3, 7(6)
 C2 Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3
 C3 S. 226(2) applied with modifications by S.I. 1990/2570, regs. 3(2), 16(1)

VALID FROM 12/11/2004

226A Companies Act individual accounts

- (1) Companies Act individual accounts must comprise–
 - (a) a balance sheet as at the last day of the financial year, and
 - (b) a profit and loss account.
- (2) The balance sheet must 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 must give a true and fair view of the profit or loss of the company for the financial year.
- (3) Companies Act individual accounts must comply with the provisions of Schedule 4 as to the form and content of the balance sheet and profit and loss account and additional information to be provided by way of notes to the accounts.
- (4) Where compliance with the provisions of that Schedule, and the other provisions of this Act as to the matters to be included in a company's individual accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information must be given in the accounts or in a note to them.
- (5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors must depart from that provision to the extent necessary to give a true and fair view.
- (6) Particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

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Modifications etc. (not altering text)

- C4 S. 226A applied (with modifications) (31.12.2004) by [The Insurance Accounts Directive \(Lloyd's Syndicate and Aggregate Accounts\) Regulations 2004 \(S.I. 2004/3219\)](#), [reg. 3\(4\)\(a\)](#), Sch.

VALID FROM 12/11/2004

226B IAS individual accounts

Where the directors of a company prepare IAS individual accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

[^{F2}227 Duty to prepare group accounts.

- (1) If at the end of a financial year a company is a parent company the directors shall, as well as preparing individual accounts for the year, prepare group accounts.
- (2) Group accounts shall be consolidated accounts comprising—
 - (a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings, and
 - (b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings.
- (3) The accounts shall give a true and fair view of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.
- (4) A company's group accounts shall comply with the provisions of Schedule 4A as to the form and content of the consolidated balance sheet and consolidated profit and loss account and additional information to be provided by way of notes to the accounts.
- (5) Where compliance with the provisions of that Schedule, and the other provisions of this Act, as to the matters to be included in a company's group accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information shall be given in the accounts or in a note to them.
- (6) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors shall depart from that provision to the extent necessary to give a true and fair view.

Particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.]

Textual Amendments

- F2 New s. 227 inserted (subject to the saving and transitional provisions in [S.I. 1990/355](#), arts. 6–9, [Sch. 2](#), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 5\(1\), 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

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Modifications etc. (not altering text)

C5 Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

C6 S. 227(3) applied with modifications by S.I. 1990/2570, regs. 3(2), 16(1)

VALID FROM 12/11/2004

227A Companies Act group accounts

- (1) Companies Act group accounts must comprise–
 - (a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings, and
 - (b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings.
- (2) The accounts must give a true and fair view of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.
- (3) Companies Act group accounts must comply with the provisions of Schedule 4A as to the form and content of the consolidated balance sheet and consolidated profit and loss account and additional information to be provided by way of notes to the accounts.
- (4) Where compliance with the provisions of that Schedule, and the other provisions of this Act as to the matters to be included in a company's group accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information must be given in the accounts or in a note to them.
- (5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors must depart from that provision to the extent necessary to give a true and fair view.
- (6) Particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

VALID FROM 12/11/2004

227B IAS group accounts

Where the directors of a parent company prepare IAS group accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

Status: Point in time view as at 01/02/1991. This version of this cross heading contains provisions that are not valid for this point in time.

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VALID FROM 12/11/2004

227C Consistency of accounts

- (1) The directors of a parent company must secure that the individual accounts of—
 - (a) the parent company, and
 - (b) each of its subsidiary undertakings,are all prepared using the same financial reporting framework, except to the extent that in their opinion there are good reasons for not doing so.
- (2) Subsection (1) does not apply if the directors do not prepare group accounts for the parent company.
- (3) Subsection (1) only applies to accounts of subsidiary undertakings that are required to be prepared under this Part.
- (4) Subsection (1) does not require accounts of undertakings that are charities to be prepared using the same financial reporting framework as accounts of undertakings which are not charities.
- (5) Subsection (1)(a) does not apply where the directors of a parent company prepare IAS group accounts and IAS individual accounts.

[^{F3}228 Exemption for parent companies included in accounts of larger group.

- (1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its immediate parent undertaking is established under the law of a member State of the European Economic Community, in the following cases—
 - (a) where the company is a wholly-owned subsidiary of that parent undertaking;
 - (b) where the parent undertaking holds more than 50 per cent. of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate—
 - (i) more than half of the remaining shares in the company, or
 - (ii) 5 per cent. of the total shares in the company.Such notice must be served not later than six months after the end of the financial year before that to which it relates.
- (2) Exemption is conditional upon compliance with all of the following conditions—
 - (a) that the company is included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking established under the law of a member State of the European Economic Community;
 - (b) that those accounts are drawn up and audited, and that parent undertaking's annual report is drawn up, according to that law, in accordance with the provisions of the Seventh Directive ([83/349/EEC](#));
 - (c) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;

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- (d) that the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and—
 - (i) if it is incorporated outside Great Britain, the country in which it is incorporated,
 - (ii) if it is incorporated in Great Britain, whether it is registered in England and Wales or in Scotland, and
 - (iii) if it is unincorporated, the address of its principal place of business;
 - (e) that the company delivers to the registrar, within the period allowed for delivering its individual accounts, copies of those group accounts and of the parent undertaking's annual report, together with the auditors' report on them; and
 - (f) that if any document comprised in accounts and reports delivered in accordance with paragraph (e) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.
- (3) The exemption does not apply to a company any of whose securities are listed on a stock exchange in any member State of the European Economic Community.
- (4) Shares held by directors of a company for the purpose of complying with any share qualification requirement shall be disregarded in determining for the purposes of subsection (1)(a) whether the company is a wholly-owned subsidiary.
- (5) For the purposes of subsection (1)(b) shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, shall be attributed to the parent undertaking.
- (6) In subsection (3) "securities" includes—
- (a) shares and stock,
 - (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness,
 - (c) warrants or other instruments entitling the holder to subscribe for securities falling within paragraph (a) or (b), and
 - (d) certificates or other instruments which confer—
 - (i) property rights in respect of a security falling within paragraph (a), (b) or (c),
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates, or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.]

Textual Amendments

- F3** New ss. 228, 229 inserted (subject to the savings and transitional provisions in [S.I. 1990/355, arts. 6–9, Sch. 2](#)), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 5\(3\), 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

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VALID FROM 12/11/2004

228A Exemption for parent companies included in non-EEA group accounts

- (1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its parent undertaking is not established under the law of an EEA State, in the following cases –
- (a) where the company is a wholly-owned subsidiary of that parent undertaking;
 - (b) where that parent undertaking holds more than 50 per cent of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate–
 - (i) more than half of the remaining shares in the company, or
 - (ii) 5 per cent of the total shares in the company.

Such notice must be served not later than six months after the end of the financial year before that to which it relates.

- (2) Exemption is conditional upon compliance with all of the following conditions–
- (a) that the company and all of its subsidiary undertakings are included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking;
 - (b) that those accounts and, where appropriate, the group's annual report, are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) (where applicable as modified by the provisions of the Bank Accounts Directive (86/635/EEC) or the Insurance Accounts Directive (91/674/EEC)), or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up;
 - (c) that the consolidated accounts are audited by one or more persons authorised to audit accounts under the law under which the parent undertaking which draws them up is established;
 - (d) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
 - (e) that the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and–
 - (i) if it is incorporated outside Great Britain, the country in which it is incorporated, and
 - (ii) if it is unincorporated, the address of its principal place of business;
 - (f) that the company delivers to the registrar, within the period allowed for delivering its individual accounts, copies of the group accounts and, where appropriate, of the consolidated annual report, together with the auditors' report on them; and
 - (g) subject to section 710B(6) (delivery of certain Welsh documents without a translation) that if any document comprised in accounts and reports delivered in accordance with paragraph (f) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.

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- (3) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market of any EEA State within the meaning of Council Directive 93/22/EEC on investment services in the securities field.
- (4) Shares held by directors of a company for the purpose of complying with any share qualification requirement are disregarded in determining for the purposes of subsection (1)(a) whether the company is a wholly-owned subsidiary.
- (5) For the purposes of subsection (1)(b), shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, are attributed to the parent undertaking.
- (6) In subsection (3) “securities” includes—
 - (a) shares and stock,
 - (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness,
 - (c) warrants or other instruments entitling the holder to subscribe for securities falling within paragraph (a) or (b), and
 - (d) certificates or other instruments which confer—
 - (i) property rights in respect of a security falling within paragraph (a), (b) or (c),
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates, or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.

[^{F4F5}229 Subsidiary undertakings included in the consolidation.

- (1) Subject to the exceptions authorised or required by this section, all the subsidiary undertakings of the parent company shall be included in the consolidation.
- (2) A subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view; but two or more undertakings may be excluded only if they are not material taken together.
- (3) In addition, a subsidiary undertaking may be excluded from consolidation where—
 - (a) severe long-term restrictions substantially hinder the exercise of the rights of the parent company over the assets or management of that undertaking, or
 - (b) the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay, or
 - (c) the interest of the parent company is held exclusively with a view to subsequent resale and the undertaking has not previously been included in consolidated group accounts prepared by the parent company.

The reference in paragraph (a) to the rights of the parent company and the reference in paragraph (c) to the interest of the parent company are, respectively, to rights and interests held by or attributed to the company for the purposes of section 258(definition of “parent undertaking”) in the absence of which it would not be the parent company.

- (4) Where the activities of one or more subsidiary undertakings are so different from those of other undertakings to be included in the consolidation that their inclusion would be

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incompatible with the obligation to give a true and fair view, those undertakings shall be excluded from consolidation.

This subsection does not apply merely because some of the undertakings are industrial, some commercial and some provide services, or because they carry on industrial or commercial activities involving different products or provide different services.

- (5) Where all the subsidiary undertakings of a parent company fall within the above exclusions, no group accounts are required.]

Textual Amendments

- F4** New ss. 228, 229 inserted (subject to the savings and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2), by Companies Act 1989 (c. 40, SIF 27), ss. 1, 5(3), 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)
- F5** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

[^{F6}230 Treatment of individual profit and loss account where group accounts prepared.

- (1) The following provisions apply with respect to the individual profit and loss account of a parent company where—
- (a) the company is required to prepare and does prepare group accounts in accordance with this Act, and
 - (b) the notes of the company’s individual balance sheet show the company’s profit or loss for the financial year determined in accordance with this Act.
- (2) The profit and loss account need not contain the information specified in paragraphs 52 to 57 of Schedule 4 (information supplementing the profit and loss account).
- (3) The profit and loss account must be approved in accordance with section 233(1) (approval by board of directors) but may be omitted from the company’s annual accounts for the purposes of the other provisions below in this Chapter.
- (4) The exemption conferred by this section is conditional upon its being disclosed in the company’s annual accounts that the exemption applies.]

Textual Amendments

- F6** New s. 230 inserted (subject to the savings and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2), by Companies Act 1989 (c. 40, SIF 27), ss. 1, 5(4), 213(2) as part of the text inserted in place of ss. 221–261 (as mentioned in s. 1(a) of the 1989 Act)

Modifications etc. (not altering text)

- C7** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

[^{F7}231 Disclosure required in notes to accounts:related undertakings.

- (1) The information specified in Schedule 5 shall be given in notes to a company’s annual accounts.
- (2) Where the company is not required to prepare group accounts, the information specified in Part I of that Schedule shall be given; and where the company is required

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to prepare group accounts, the information specified in Part II of that Schedule shall be given.

- (3) The information required by Schedule 5 need not be disclosed with respect to an undertaking which—
- (a) is established under the law of a country outside the United Kingdom, or
 - (b) carries on business outside the United Kingdom.

if in the opinion of the directors of the company the disclosure would be seriously prejudicial to the business of that undertaking, or to the business of the company or any of its subsidiary undertakings, and the Secretary of State agrees that the information need not be disclosed.

This subsection does not apply in relation to the information required under paragraph 5(2), 6 or 20 of that Schedule.

- (4) Where advantage is taken of subsection (3), that fact shall be stated in a note to the company's annual accounts.
- (5) If the directors of the company are of the opinion that the number of undertakings in respect of which the company is required to disclose information under any provision of Schedule 5 to this Act is such that compliance with that provision would result in information of excessive length being given, the information need only be given in respect of—
- (a) the undertakings whose results or financial position, in the opinion of the directors, principally affected the figures shown in the company's annual accounts, and
 - (b) undertakings excluded from consolidation under section 229(3) or (4).

This subsection does not apply in relation to the information required under paragraph 10 or 29 of that Schedule.

- (6) If advantage is taken of subsection (5)—
- (a) there shall be included in the notes to the company's annual accounts a statement that the information is given only with respect to such undertakings as are mentioned in that subsection, and
 - (b) the full information (both that which is disclosed in the notes to the accounts and that which is not) shall be annexed to the company's next annual return.

For this purpose the "next annual return" means that next delivered to the registrar after the accounts in question have been approved under section 233.

- (7) If a company fails to comply with subsection (6)(b), 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.]

Textual Amendments

- F7** New s. 231 inserted (subject to the savings and transitional provisions in [S.I. 1990/355, arts. 6–9](#), [Sch. 2](#)), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 6\(1\), 213\(2\)](#) as part of the text inserted in place of ss. 221–261 (as mentioned in s. 1(a) of the 1989 Act)

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VALID FROM 12/11/2004

231A Disclosure required in notes to annual accounts: particulars of staff

- (1) The following information with respect to the employees of the company must be given in notes to the company's annual accounts—
 - (a) the average number of persons employed by the company in the financial year, and
 - (b) the average number of persons so employed within each category of persons employed by the company.
- (2) The average number required by subsection (1)(a) or (b) is determined by dividing the relevant annual number by the number of months in the financial year.
- (3) The relevant annual number is determined by ascertaining for each month in the financial year—
 - (a) for the purposes of subsection (1)(a), the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);
 - (b) for the purposes of subsection (1)(b), the number of persons in the category in question of persons so employed;and, in either case, adding together all the monthly numbers.
- (4) In respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of subsection (1)(a) there must also be stated the aggregate amounts respectively of—
 - (a) wages and salaries paid or payable in respect of that year to those persons;
 - (b) social security costs incurred by the company on their behalf; and
 - (c) other pension costs so incurred.

This does not apply in so far as those amounts, or any of them, are stated elsewhere in the company's accounts.
- (5) For the purposes of subsection (1)(b), the categories of person employed by the company are such as the directors may select, having regard to the manner in which the company's activities are organised.
- (6) This section applies in relation to group accounts as if the undertakings included in the consolidation were a single company.
- (7) In this section “social security costs” and “pension costs” have the same meaning as in Schedule 4 (see paragraph 94(1) and (2) of that Schedule).

Modifications etc. (not altering text)

- C8** Ss. 231-234 applied (with modifications) (31.12.2004) by [The Insurance Accounts Directive \(Lloyd's Syndicate and Aggregate Account\) Regulations 2004 \(S.I. 2004/3219\)](#), **reg. 3(4)(a)**, Sch.

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[^{F8}232 Disclosure required in notes to accounts: emoluments and other benefits of directors and others.

- (1) The information specified in Schedule 6 shall be given in notes to a company's annual accounts.
- (2) In that Schedule—

Part I relates to the emoluments of directors (including emoluments waived), pensions of directors and past directors, compensation for loss of office to directors and past directors and sums paid to third parties in respect of directors' services,

Part II relates to loans, quasi-loans and other dealings in favour of directors and connected persons, and

Part III relates to transactions, arrangements and agreements made by the company or a subsidiary undertaking for officers of the company other than directors.
- (3) It is the duty of any director of a company, and any person who is or has at any time in the preceding five years been an officer of the company, to give notice to the company of such matters relating to himself as may be necessary for the purposes of Part I of Schedule 6.
- (4) A person who makes default in complying with subsection (3) commits an offence and is liable to a fine.]

Textual Amendments

- F8** New s. 232 inserted (subject to the savings and transitional provisions in [S.I. 1990/355, arts. 6–9, Sch. 2](#)), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 6\(3\), 213\(2\)](#) as part of the text inserted in place of ss. 221–261 (as mentioned in s. 1(a) of the 1989 Act)

Modifications etc. (not altering text)

- C9** [Ss. 226-237](#) extended (with modifications) (19.12.1993) by [S.I. 1993/3245, reg.3](#)

Status:

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