



# Companies Act 1985

## 1985 CHAPTER 6

### PART VII

#### ACCOUNTS AND AUDIT

#### CHAPTER I

##### PROVISIONS APPLYING TO COMPANIES GENERALLY

##### *Accounting records*

#### **221 Duty to keep accounting records.**

- (1) Every company shall keep accounting records which are sufficient to show and explain the company's transactions and are 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 complies with the requirements of this Act.
- (2) 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.
- (3) If the company's business involves dealing in goods, the accounting records shall contain—
  - (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

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- (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.
- (4) A parent company which has a subsidiary undertaking in relation to which the above requirements do not apply shall take reasonable steps to secure that the undertaking keeps such accounting records as to enable the directors of the parent company to ensure that any balance sheet and profit and loss account prepared under this Part complies with the requirements of this Act.
- (5) If a company fails to comply with any provision of this section, 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.
- (6) A person guilty of an offence under this section is liable to imprisonment or a fine, or both.

**Modifications etc. (not altering text)**

**C1** S. 221 excluded (coming into force in accordance with s. 3 of the amending Act) by 1999 c. iv, ss. 3, 7(5)

**[<sup>F1</sup>222 Where and for how long records to be kept.**

- (1) 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 shall be such as to—
  - (a) disclose with reasonable accuracy the financial position of the business in question at intervals of not more than six 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.
- (4) If a company fails to comply with any provision of subsections (1) to (3), every officer of the company who is in default is guilty of an offence, and liable to imprisonment or a fine or both, 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.
- (5) 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 three years from the date on which they are made, and
  - (b) in the case of a public company, for six years from the date on which they are made.

This is subject to any provision contained in rules made under section 411 of the Insolvency Act 1986 (company insolvency rules).

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- (6) An officer of a company is guilty of an offence, and liable to imprisonment or a fine or both, if he fails to take all reasonable steps for securing compliance by the company with subsection (5) or intentionally causes any default by the company under that subsection.]

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**Textual Amendments**

- F1** New ss. 221, 222 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, 2, 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)**

- C2** S. 222 extended by S.I. 1986/304, rule 6  
**C3** S. 222 applied by S.I. 1986/385, rule 6  
**C4** S. 222(2) modified by S.I. 1985/724, reg. 6(5)

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

**223 A company's financial year.**

- (1) A company's "financial year" is determined as follows.
- (2) Its first financial year begins with the first day of its first accounting reference period and ends with the last day of that period or such other date, not more than seven days before or after the end of that period, as the directors may determine.
- (3) Subsequent financial years begin with the day immediately following the end of the company's previous financial year and end with the last day of its next accounting reference period or such other date, not more than seven days before or after the end of that period, as the directors may determine.
- (4) In relation to an undertaking which is not a company, references in this Act to its financial year are to any period in respect of which a profit and loss account of the undertaking is required to be made up (by its constitution or by the law under which it is established), whether that period is a year or not.
- (5) The directors of a parent company shall secure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiary undertakings coincides with the company's own financial year.

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**Modifications etc. (not altering text)**

- C5** S. 223 applied (E.W.) (*prosp.*) by Charities Act 1992 (c. 41), ss. 1(1), 79(2).  
S. 223 applied (E.W.)(temporarily) (1.8.1993) by 1993 c. 10, s. 99(1)(3)(4), Sch. 8 Pt.II  
**C6** S. 223(4) applied (with modifications) (6.3.1997) by S.I. 1997/648, reg. 3(2), Sch. 1 para. 4(1)(a)(ii)

**[<sup>F2</sup>224 Accounting reference periods and accounting reference date.**

- (1) A company's accounting reference periods are determined according to its accounting reference date.

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- (2) A company may, at any time before the end of the period of nine months beginning with the date of its incorporation, by notice in the prescribed form given to the registrar specify its accounting reference date, that is, the date on which its accounting reference period ends in each calendar year.
- (3) Failing such notice, a company's accounting reference date is—
  - (a) in the case of a company incorporated before [<sup>F3</sup>1st April 1990], 31st March;
  - (b) in the case of a company incorporated after [<sup>F4</sup>1st April 1990], the last day of the month in which the anniversary of its incorporation falls.
- (4) A company's first accounting reference period is the period of more than six months, but not more than 18 months, beginning with the date of its incorporation and ending with its accounting reference date.
- (5) Its subsequent accounting reference periods are successive periods of twelve months beginning immediately after the end of the previous accounting reference period and ending with its accounting reference date.
- (6) This section has effect subject to the provisions of section 225 relating to the alteration of accounting reference dates and the consequences of such alteration.]

#### Textual Amendments

- F2** New ss. 223–225 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, 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)
- F3** Words substituted by [S.I. 1990/355, art. 15\(a\)](#)
- F4** Words substituted by [S.I. 1990/355, art. 15\(b\)](#)

#### Modifications etc. (not altering text)

- C7** [S. 224\(4\)](#) modified by [Trustee Savings Bank Act 1985 \(c. 58, SIF 110\)](#), s. 3, [Sch. 1 para. 6\(3\)](#)  
[S. 224\(4\)](#) modified (27. 12. 1991) by [S.I. 1991/2908, art. 2, Sch. para. 4\(2\)](#)

#### [<sup>F5</sup>225 **Alteration of accounting reference date.**

- (1) A company may by notice in the prescribed form given to the registrar specify a new accounting reference date having effect in relation to the company's current accounting reference period and subsequent periods.
- (2) A company may by notice in the prescribed form given to the registrar specify a new accounting reference date having effect in relation to the company's previous accounting reference period and subsequent periods if—
  - (a) the company is a subsidiary undertaking or parent undertaking of another company and the new accounting reference date coincides with the accounting reference date of that other company, or
  - (b) an administration order under Part II of the Insolvency Act 1986 is in force.

A company's "previous accounting reference period" means that immediately preceding its current accounting reference period.
- (3) The notice shall state whether the current or previous accounting reference period—
  - (a) is to be shortened, so as to come to an end on the first occasion on which the new accounting reference date falls or fell after the beginning of the period, or

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- (b) is to be extended, so as to come to an end on the second occasion on which that date falls or fell after the beginning of the period.
- (4) A notice under subsection (1) stating that the current accounting reference period is to be extended is ineffective, except as mentioned below, if given less than five years after the end of an earlier accounting reference period of the company which was extended by virtue of this section.

This subsection does not apply—

- (a) to a notice given by a company which is a subsidiary undertaking or a parent undertaking of another company and the new accounting reference date coincides with that of the other company, or
- (b) where an administration order is in force under Part II of the Insolvency Act 1986, or where the Secretary of State directs that it should not apply, which he may do with respect to a notice which has been given or which may be given.
- (5) A notice under subsection (2)(a) may not be given if the period allowed for laying and delivering accounts and reports in relation to the previous accounting reference period has already expired.
- (6) An accounting reference period may not in any case, unless an administration order is in force under Part II of the Insolvency Act 1986, be extended so as to exceed 18 months and a notice under this section is ineffective if the current or previous accounting reference period as extended in accordance with the notice would exceed that limit.]

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#### Textual Amendments

- F5** New ss. 223–225 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, 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)

*[<sup>F6</sup> Annual accounts]*

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#### Textual Amendments

- F6** 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) a balance sheet as at the last day of the year, and
- (b) 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.

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- (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.
- (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)**

- C8** S. 226 modified (*temp.*) (in force in accordance with s. 3 of the amending Act) by 1999 c. iv, ss. 3, 7(6)  
**C9** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3  
**C10** 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)**

- C11** 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.

**[<sup>F7</sup>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**

- F7** 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)**

**C12** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

**C13** 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.



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## 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.

## [<sup>F8</sup>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) [<sup>F9</sup>(where applicable as modified by the provisions of the Bank Accounts Directive 86/635/EEC) [<sup>F10</sup>or the Insurance Accounts Directive (91/674/EEC)]];]

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- (c) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
  - (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) <sup>F11</sup>(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 (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

**F8** 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)

**F9** Words in s. 228(2)(b) inserted (1.1.1993) by S.I. 1992/3178, reg. 4.

**F10** Words in s. 228(2)(b) inserted (19.12.1993) by S.I. 1993/3246, regs. 5(1), 6, 7, Sch. 2 para. 1

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**F11** Words in s. 228(2)(f) inserted (1.2.1994) by 1993 c. 38, s. 30(3); S.I. 1994/115, art. 2(2)

**Modifications etc. (not altering text)**

**C14** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg. 3

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

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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.

- (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.

**[<sup>F12F13</sup>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.

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*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter I. (See end of Document for details)*

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- (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 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

- F12** 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)
- F13** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

#### [<sup>F14</sup>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—
- the company is required to prepare and does prepare group accounts in accordance with this Act, and
  - 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

- F14** 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)

- C15** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

#### [<sup>F15</sup>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.

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*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter I. (See end of Document for details)*

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- (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 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 [F16 paragraph 5(2), 6, 9A, 20 or 28A] 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**

**F15** 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)

**F16** Words in s. 231(3) substituted (21.7.1993) by S.I. 1993/1820, **reg. 11(1)**



*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter I. (See end of Document for details)

**Modifications etc. (not altering text)**

**C16** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

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).



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**Modifications etc. (not altering text)**

**C17** 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.

**[<sup>F17</sup>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**

**F17** 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)**

**C18** Ss. 226-237 extended (with modifications) (19.12.1993) by [S.I. 1993/3245](#), **reg.3**

*Approval and signing of accounts*

**233 Approval and signing of accounts**

- (1) A company's annual accounts shall be approved by the board of directors and signed on behalf of the board by a director of the company.
- (2) The signature shall be on the company's balance sheet.
- (3) Every copy of the balance sheet which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed the balance sheet on behalf of the board.

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*Status: Point in time view as at 11/08/1994. This version of this chapter contains provisions that are not valid for this point in time.*  
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- (4) The copy of the company's balance sheet which is delivered to the registrar shall be signed on behalf of the board by a director of the company.
- (5) If annual accounts are approved which do not comply with the requirements of this Act, every director of the company who is party to their approval and who knows that they do not comply or is reckless as to whether they comply is guilty of an offence and liable to a fine.

For this purpose every director of the company at the time the accounts are approved shall be taken to be a party to their approval unless he shows that he took all reasonable steps to prevent their being approved.

- (6) If a copy of the balance sheet—
  - (a) is laid before the company, or otherwise circulated, published or issued, without the balance sheet having been signed as required by this section or without the required statement of the signatory's name being included, or
  - (b) is delivered to the registrar without being signed as required by this section, the company and every officer of it who is in default is guilty of an offence and liable to a fine.

**Modifications etc. (not altering text)**

- C19** S. 233 applied with modifications by S.I. 1990/2570, **reg. 4(1)**  
**C20** S. 233 restricted by S.I. 1990/2570, **reg. 4(2)**  
**C21** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, **reg.3**  
**C22** S. 233(5) excluded by S.I. 1990/2569, **art. 6(2)**  
**C23** S. 233(5) applied with modifications by S.I. 1990/2570, **reg. 4(2)**

*[<sup>F18</sup> Director's report]*

**Textual Amendments**

- F18** New ss. 234, 234A 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, 8(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)

**234 Duty to prepare director's report.**

- (1) The directors of a company shall for each financial year prepare a report—
  - (a) containing a fair review of the development of the business of the company and its subsidiary undertakings 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 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 subsidiary undertakings in the course of the year and any significant change in those activities in the year.

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- (3) The report shall also comply with Schedule 7 as regards the disclosure of the matters mentioned there.
- (4) In Schedule 7—
- Part I relates to matters of a general nature, including changes in asset values, directors' shareholdings and other interests and contributions for political and charitable purposes,
- Part II relates to the acquisition by a company of its own shares or a charge on them,
- Part III relates to the employment, training and advancement of disabled persons,
- Part IV relates to the health, safety and welfare at work of the company's employees, and
- Part V relates to the involvement of employees in the affairs, policy and performance of the company.
- (5) In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' report and the contents of the report, every person who was a director of the company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.
- (6) 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.

**Modifications etc. (not altering text)**

**C24** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, **reg.3**

**C25** S. 234(5) applied with modifications by S.I. 1990/2570, **reg. 5(2)**

VALID FROM 22/03/2005

**234ZZA Directors' report: general requirements**

- (1) The directors' report for a financial year must state—
- (a) the names of the persons who, at any time during the financial year, were directors of the company,
  - (b) the principal activities of the company in the course of the year, and
  - (c) the amount (if any) that the directors recommend should be paid by way of dividend.
- (2) In relation to a group directors' report subsection (1)(b) has effect as if the reference to the company was a reference to the company and its subsidiary undertakings included in the consolidation.
- (3) The report must also comply with Schedule 7 as regards the disclosure of the matters mentioned there.
- (4) In Schedule 7—

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Part 1 relates to matters of a general nature, including changes in asset values, directors' shareholdings and other interests and contributions for political and charitable purposes;

Part 2 relates to the acquisition by a company of its own shares or a charge on them;

Part 3 relates to the employment, training and advancement of disabled persons;  
Part 5 relates to the involvement of employees in the affairs, policy and performance of the company;

Part 6 relates to the company's policy and practice on the payment of creditors.

VALID FROM 22/03/2005

### **234ZZB Directors' report: business review**

- (1) The directors' report for a financial year must contain—
  - (a) a fair review of the business of the company, and
  - (b) a description of the principal risks and uncertainties facing the company.
- (2) The review required is a balanced and comprehensive analysis of—
  - (a) the development and performance of the business of the company during the financial year, and
  - (b) the position of the company at the end of that year, consistent with the size and complexity of the business.
- (3) The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include—
  - (a) analysis using financial key performance indicators, and
  - (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.
- (4) The review must, where appropriate, include references to, and additional explanations of, amounts included in the annual accounts of the company.
- (5) In this section, “key performance indicators” means factors by reference to which the development, performance or position of the business of the company can be measured effectively.
- (6) In relation to a group directors' report this section has effect as if the references to the company were references to the company and its subsidiary undertakings included in the consolidation.

VALID FROM 06/04/2005

### **234ZA Statement as to disclosure of information to auditors**

- (1) This section applies to a directors' report unless the directors have taken advantage of the exemption conferred by section 249A(1) or 249AA(1).

*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter I. (See end of Document for details)*

- (2) The report must contain a statement to the effect that, in the case of each of the persons who are directors at the time when the report is approved under section 234A, the following applies—
- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
  - (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.
- (3) In subsection (2) "relevant audit information" means information needed by the company's auditors in connection with preparing their report.
- (4) For the purposes of subsection (2) a director has taken all the steps that he ought to have taken as a director in order to do the things mentioned in paragraph (b) of that subsection if he has—
- (a) made such enquiries of his fellow directors and of the company's auditors for that purpose, and
  - (b) taken such other steps (if any) for that purpose,
- as were required by his duty as a director of the company to exercise due care, skill and diligence.
- (5) In determining for the purposes of subsection (2) the extent of that duty in the case of a particular director, the following considerations (in particular) are relevant—
- (a) the knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by the director in relation to the company, and
  - (b) (so far as they exceed what may reasonably be so expected) the knowledge, skill and experience that the director in fact has.
- (6) Where a directors' report containing the statement required by subsection (2) is approved under section 234A but the statement is false, every director of the company who—
- (a) knew that the statement was false, or was reckless as to whether it was false, and
  - (b) failed to take reasonable steps to prevent the report from being approved,
- is guilty of an offence and liable to imprisonment or a fine, or both.

**[<sup>F19</sup>234A Approval and signing of directors' report.**

- (1) The directors' report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.
- (2) Every copy of the directors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.
- (3) The copy of the directors' report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.
- (4) If a copy of the directors' report—

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- (a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this section or without the required statement of the signatory's name being included, or
  - (b) is delivered to the registrar without being signed as required by this section,
- the company and every officer of it who is in default is guilty of an offence and liable to a fine.]

#### Textual Amendments

**F19** New ss. 234, 234A 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, 8(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)

#### Modifications etc. (not altering text)

- C26** S. 234A applied with modifications by S.I. 1990/2570, reg. 5(1)  
S. 234A 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.
- C27** S. 234A restricted by S.I. 1990/2570, reg. 5(2)
- C28** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3
- C29** S. 234A applied (1.7.2005) by The Community Interest Company Regulations 2005 (S.I. 2005/1788), reg. 29(1)

VALID FROM 22/03/2005

#### *Quoted companies: operating and financial review*

#### **234AA Duty to prepare operating and financial review**

- (1) The directors of a quoted company shall for each financial year prepare an operating and financial review.
- (2) The review must comply with Schedule 7ZA (objective and contents of operating and financial review), save that nothing in that Schedule requires the disclosure of information about impending developments or about matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.
- (3) For a financial year in which—
  - (a) the company is a parent company, and
  - (b) the directors of the company prepare group accounts,the operating and financial review must be a consolidated review (a “group operating and financial review”) relating, to the extent specified in Schedule 7ZA, to the company and its subsidiary undertakings included in the consolidation.
- (4) A group operating and financial review may, where appropriate, give greater emphasis to the matters that are significant to the company and its subsidiary undertakings included in the consolidation, taken as a whole.

*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter I. (See end of Document for details)

- (5) If an operating and financial review does not comply with the provisions of this Part relating to the preparation and contents of the review, every director of the company who—
- (a) knew that it did not comply or was reckless as to whether it complied, and
  - (b) failed to take all reasonable steps to secure compliance with the provision in question,
- is guilty of an offence and liable to a fine.

**Modifications etc. (not altering text)**

**C30** S. 234AA(5) applied (1.10.2005) by S.I. 1990/2570, reg. 5B(2) (as inserted by [The Companies \(Revision of Defective Accounts and Report\) \(Amendment\) Regulations 2005 \(S.I. 2005/2282\)](#), [art. 6](#))

**234AB Approval and signing of operating and financial review**

- (1) The operating and financial review must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.
- (2) Every copy of the operating and financial review laid before the company in general meeting, or that is otherwise circulated, published or issued, must state the name of the person who signed it on behalf of the board.
- (3) The copy of the operating and financial review delivered to the registrar must be signed on behalf of the board by a director or the secretary of the company.
- (4) If a copy of the operating and financial review—
  - (a) is laid before the company, or otherwise circulated, published or issued without the review having been signed as required by this section or without the required statement of the signatory's name being included, or
  - (b) is delivered to the registrar without being signed as required by this section,
 the company and every officer of it who is in default is guilty of an offence and liable to a fine.

**Modifications etc. (not altering text)**

**C31** S. 234AB applied (with modifications) (1.10.2005) by S.I. 1990/2570, reg. 5B(1) (as inserted by [The Companies \(Revision of Defective Accounts and Report\) \(Amendment\) Regulations 2005 \(S.I. 2005/2282\)](#), [art. 6](#))

VALID FROM 01/08/2002

*Quoted companies: directors' remuneration report*

**234B Duty to prepare directors' remuneration report**

- (1) The directors of a quoted company shall for each financial year prepare a directors' remuneration report which shall contain the information specified in Schedule 7A



*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter 1. (See end of Document for details)*

and comply with any requirement of that Schedule as to how information is to be set out in the report.

(2) In Schedule 7A—

Part 1 is introductory,

Part 2 relates to information about remuneration committees, performance related remuneration and liabilities in respect of directors' contracts,

Part 3 relates to detailed information about directors' remuneration (information included under Part 3 is required to be reported on by the auditors, see section 235), and

Part 4 contains interpretative and supplementary provisions.

(3) In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' remuneration report and the contents of the report, every person who was a director of the quoted company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.

(4) In proceedings against a person for an offence under subsection (3) it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

(5) It is the duty of any director of a company, and any person who has at any time in the preceding five years been a director of the company, to give notice to the company of such matters relating to himself as may be necessary for the purposes of Parts 2 and 3 of Schedule 7A.

(6) A person who makes default in complying with subsection (5) commits an offence and is liable to a fine.

**Modifications etc. (not altering text)**

**C32** [S. 234B\(3\)](#) applied (1.10.2005) by [S.I. 1990/2570](#), [reg. 5A\(2\)](#) (as inserted by [The Companies \(Revision of Defective Accounts and Report\) \(Amendment\) Regulations 2005 \(S.I. 2005/2282\)](#), [art. 6](#))

**234C Approval and signing of directors' remuneration report**

(1) The directors' remuneration report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

(2) Every copy of the directors' remuneration report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.

(3) The copy of the directors' remuneration report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.

(4) If a copy of the directors' remuneration report—

(a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this section or without the required statement of the signatory's name being included, or

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(b) is delivered to the registrar without being signed as required by this section, the company and every officer of it who is in default is guilty of an offence and liable to a fine.

**Modifications etc. (not altering text)**

**C33** S. 234C applied (with modifications) (1.10.2005) by S.I. 1990/2570, reg. 5A(1) (as inserted by The Companies (Revision of Defective Accounts and Report) (Amendment) Regulations 2005 (S.I. 2005/2282), art. 6)

*Auditors' report*

**235 Auditors' report.**

- (1) A company's auditors shall make a report to the company's members on all annual accounts of the company of which copies are to be laid before the company in general meeting during their tenure of office.
- (2) The auditors' report shall state whether in the auditors' opinion the annual accounts have been properly prepared in accordance with this Act, and in particular whether a true and fair view is given—
  - (a) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,
  - (b) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,
  - (c) in the case of group accounts, 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) The auditors shall consider whether the information given in the directors' report for the financial year for which the annual 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.

**Modifications etc. (not altering text)**

**C34** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3  
**C35** S. 235(1) excluded by S.I. 1990/2570, regs. 6(1)(b), 15

**[<sup>F20</sup>236 Signature of auditors' report.**

- (1) The auditors' report shall state the names of the auditors and be signed by them.
- (2) Every copy of the auditors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the auditors.
- (3) The copy of the auditors' report which is delivered to the registrar shall state the names of the auditors and be signed by them.
- (4) If a copy of the auditors' report—

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Chapter I. (See end of Document for details)*

- (a) is laid before the company, or otherwise circulated, published or issued, without the required statement of the auditors' names, or
- (b) is delivered to the registrar without the required statement of the auditors' names or without being signed as required by this section,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.

- (5) References in this section to signature by the auditors are, where the office of auditor is held by a body corporate or partnership, to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.]

#### Textual Amendments

**F20** New ss. 235–237 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, 9, 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

#### Modifications etc. (not altering text)

**C36** [S. 236](#) applied with modifications by [S.I. 1990/2570](#), regs. 6(5), 7(4), 15

**C37** [Ss. 226–237](#) extended (with modifications) (19.12.1993) by [S.I. 1993/3245](#), reg.3

### [<sup>F21</sup>237 Duties of auditors.

- (1) A company's auditors shall, in preparing their report, carry out such investigations as will enable them to form an opinion as to—
  - (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, and
  - (b) whether the company's individual accounts 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 company's individual accounts are not in agreement with the accounting records and returns, the auditors shall state that fact in their report.
- (3) 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.
- (4) If the requirements of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) are not complied with in the annual accounts, the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.]

#### Textual Amendments

**F21** New ss. 235–237 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, 9, 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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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Chapter I. (See end of Document for details)*

**Modifications etc. (not altering text)**

- C38** S. 237 applied with modifications by S.I. 1990/2570, **regs. 6(1)(a), 15**  
**C39** Ss. 226–237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, **reg.3**

*[<sup>F22</sup> Publication of accounts and reports]*

**Textual Amendments**

- F22** New ss. 238–240 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, 10, 213(2)** as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

**238 Persons entitled to receive copies of accounts and reports.**

- (1) A copy of the company's annual accounts, together with a copy of the directors' report for that financial year and of the auditors' report on those accounts, shall be sent to—
- (a) every member of the company,
  - (b) every holder of the company's debentures, and
  - (c) every person who is entitled to receive notice of general meetings,
- not less than 21 days before the date of the meeting at which copies of those documents are to be laid in accordance with section 241.
- (2) Copies need not be sent—
- (a) to 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 shares or debentures none of whom is entitled to receive such notices, or
  - (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.
- (3) In the case of a company not having a share capital, copies need not be sent to anyone who is not entitled to receive notices of general meetings of the company.
- (4) If copies are sent less than 21 days before the date of the meeting, they shall, notwithstanding that fact, be 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 this section, the company and every officer of it who is in default is guilty of an offence and liable to a fine.
- (6) Where copies are sent out under this section over a period of days, references elsewhere in this Act to the day on which copies are sent out shall be construed as references to the last day of that period.

**Modifications etc. (not altering text)**

- C40** S. 238 amended by by S.I. 1990/2570, **regs. 8(2)(b), 9(2)(b)**  
**C41** S. 238(2)(3) applied by S.I. 1990/2570, **reg. 10(3)**  
**C42** S. 238(5) applied with modifications by S.I. 1990/2570, **reg. 10(4)**

*Status: Point in time view as at 11/08/1994. This version of this chapter 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, Chapter 1. (See end of Document for details)

VALID FROM 01/10/2007

**[<sup>F23</sup>238A Time allowed for sending out copies of accounts and reports**

- (1) The time allowed for sending out copies of the company's annual accounts and reports is as follows.
- (2) A private company must comply with section 238(1) not later than—
  - (a) the end of the period for delivering accounts and reports (see section 244), or
  - (b) if earlier, the date on which it actually delivers its accounts and reports under section 242.
- (3) A public company must comply with section 238(1) not less than 21 days before the date of the meeting at which copies of the documents are to be laid in accordance with section 241.
- (4) If in the case of a public company copies are sent out later than is required by subsection (3), they shall, despite that, be deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting.]

**Textual Amendments**

**F23** S. 238A inserted (1.10.2007 with effect as mentioned in Sch. 4 para. 3(8) of the amending S.I.) by [The Companies Act 2006 \(Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings\) Order 2007 \(S.I. 2007/2194\)](#), art. 10(1), **Sch. 4 para. 3(3)** (with art. 12)

**[<sup>F24</sup>239 Rights to demand copies of accounts and reports.**

- (1) Any member of a company and any holder of a company's debentures is entitled to be furnished, on demand and without charge, with a copy of the company's last annual accounts and director's report and a copy of the auditor's report on those accounts.
- (2) The entitlement under this section is to a single copy of those documents, but that is in addition to any copy to which a person may be entitled under section 238.
- (3) If a demand under this section is not complied with within seven days, the company and every officer of it who is in default is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.
- (4) If in proceedings for such an offence the issue arises whether a person had already been furnished with a copy of the relevant document under this section, it is for the defendant to prove that he had.]

**Textual Amendments**

**F24** New ss. 238–240 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, 10, 213(2)** as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

**Modifications etc. (not altering text)**

**C43** S. 239 amended by [S.I. 1990/2570](#), **regs. 8(2)(a), 9(2)(a)**

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**[<sup>F25</sup>240 Requirements in connection with publication of accounts.**

- (1) If a company publishes any of its statutory accounts, they must be accompanied by the relevant auditors' report under section 235 [<sup>F26</sup>or, as the case may be, the relevant report made for the purposes of section 249A(2)].
- (2) A company which is required to prepare group accounts for a financial year shall not publish its statutory individual accounts for that year without also publishing with them its statutory group accounts.
- (3) If a company publishes non-statutory accounts, it shall publish with them a statement indicating—
  - (a) that they are not the company's statutory accounts,
  - (b) whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been delivered to the registrar,
  - (c) whether the company's auditors have made a report under section 235 on the statutory accounts for any such financial year [<sup>F27</sup>and, if no such report has been made, whether the company's reporting accountant has made a report for the purposes of section 249A(2) on the statutory accounts for any such financial year], and
  - (d) whether any [<sup>F28</sup>auditors] report so made was qualified or contained a statement under section 237(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations) [<sup>F29</sup>or whether any report made for the purposes of section 249A(2) was qualified];

and it shall not publish with the non-statutory accounts any auditors' report under section 235 [<sup>F30</sup>or any report made for the purposes of section 249A(2)].
- (4) For the purposes of this section a company shall be regarded as publishing a document if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.
- (5) References in this section to a company's statutory accounts are to its individual or group accounts for a financial year as required to be delivered to the registrar under section 242; and references to the publication by a company of "non-statutory accounts" are to the publication of—
  - (a) any balance sheet or profit and loss account relating to, or purporting to deal with, a financial year of the company, or
  - (b) an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the company and its subsidiary undertakings relating to, or purporting to deal with, a financial year of the company,

otherwise than as part of the company's statutory accounts.
- (6) A company which contravenes any provision of this section, and any officer of it who is in default, is guilty of an offence and liable to a fine.]

**Textual Amendments**

**F25** New ss. 238–240 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, 10, 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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- F26** Words in s. 240(1) added (11.8.1994) by S.I. 1994/1935, reg. 4, **Sch. 1 Pt. I para.1(2)**  
**F27** Words in s. 240(3)(c) inserted (11.8.1994) by S.I. 1994/1935, reg. 4, **Sch. 1 Pt. I para. 1(3)(a)**  
**F28** Word in s. 140(3)(d) inserted (11.8.1994) by S.I. 1994/1935, reg. 4, **Sch. 1 Pt. I para. 1(3)(b)**  
**F29** Words in s. 140(3)(d) added (11.8.1994) by S.I. 1994/1935, reg. 4, **Sch. 1 Pt. I para. 1(3)(b)**  
**F30** Words in s. 240(3) added (11.8.1994) by S.I. 1994/1935, reg. 4, **Sch. 1 Pt. I para. 1(3)(c)**

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**Modifications etc. (not altering text)**

- C44** S. 240(5) amended by S.I. 1990/2570, **reg. 8(2)(a)**

*[<sup>F31</sup> Laying and delivering of accounts and reports]*

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**Textual Amendments**

- F31** New ss. 241–244 inserted (1.4.1990 and 1.7.1992 as to s. 242A) (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, **Sch. 2**; S.I. 1991/2945, **art. 2** (subject to transitional provisions in art. 3)) by Companies Act 1989 (c. 40, SIF 27), **ss. 1, 11, 213(2)** as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

**241 Accounts and reports to be laid before company in general meeting.**

- (1) The directors of a company shall in respect of each financial year lay before the company in general meeting copies of the company's annual accounts, the directors' report and the auditors' report on those accounts.
- (2) If the requirements of subsection (1) are not complied with before the end of the period allowed for laying and delivering accounts and reports, every person who immediately before the end of that period was a director of the company is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.
- (3) It is a defence for a person charged with such an offence to prove that he took all reasonable steps for securing that those requirements would be complied with before the end of that period.
- (4) It is not a defence to prove that the documents in question were not in fact prepared as required by this Part.

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**Modifications etc. (not altering text)**

- C45** S. 241 amended by S.I. 1990/2570, **regs. 8(2)(b), 9(2)(b)**  
**C46** S. 241(2)–(4) applied with modifications by S.I. 1990/2570, **reg. 11(3)**

VALID FROM 01/08/2002

**241A Members' approval of directors' remuneration report**

- (1) This section applies to every company that is a quoted company immediately before the end of a financial year.



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- (2) In this section “the meeting” means the general meeting of the company before which the company’s annual accounts for the financial year are to be laid.
- (3) The company must, prior to the meeting, give to the members of the company entitled to be sent notice of the meeting notice of the intention to move at the meeting, as an ordinary resolution, a resolution approving the directors’ remuneration report for the financial year.
- (4) Notice under subsection (3) shall be given to each such member in any manner permitted for the service on him of notice of the meeting.
- (5) The business that may be dealt with at the meeting includes the resolution.
- (6) The existing directors must ensure that the resolution is put to the vote of the meeting.
- (7) Subsection (5) has effect notwithstanding—
  - (a) any default in complying with subsections (3) and (4);
  - (b) anything in the company’s articles.
- (8) No entitlement of a person to remuneration is made conditional on the resolution being passed by reason only of the provision made by this section.
- (9) In the event of default in complying with the requirements of subsections (3) and (4), every officer of the company who is in default is liable to a fine.
- (10) If the resolution is not put to the vote of the meeting, each existing director is guilty of an offence and liable to a fine.
- (11) If an existing director is charged with an offence under subsection (10), it is a defence for him to prove that he took all reasonable steps for securing that the resolution was put to the vote of the meeting.
- (12) In this section “existing director” means a person who, immediately before the meeting, is a director of the company.

**[<sup>F32</sup>242 Accounts and reports to be delivered to the registrar.**

- (1) The directors of a company shall in respect of each financial year deliver to the registrar a copy of the company’s annual accounts together with a copy of the directors’ report for that year and a copy of the auditors’ report on those accounts.
 

[<sup>F33</sup>[<sup>F34</sup>Subject to section 255E (delivery of accounting documents in Welsh only),] if any document comprised in those accounts or reports is in a language other than English, [<sup>F35</sup>then, subject to section 710B(6) (delivery of certain Welsh documents without a translation),] the directors 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.
- (2) If the requirements of subsection (1) are not complied with before the end of the period allowed for laying and delivering accounts and reports, every person who immediately before the end of that period was a director of the company is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.
- (3) Further, if 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 the

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application of any member or creditor of the company or of the registrar, 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.

The court's order may provide that all costs of and incidental to the application shall be borne by the directors.

- (4) It is a defence for a person charged with an offence under this section to prove that he took all reasonable steps for securing that the requirements of subsection (1) would be complied with before the end of the period allowed for laying and delivering accounts and reports.
- (5) It is not a defence in any proceedings under this section to prove that the documents in question were not in fact prepared as required by this Part.]

#### Textual Amendments

- F32** New ss. 241–244 inserted (1.7.1992 as to s. 242A) (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, **Sch. 2**; S.I. 1991/2945, **art. 2** (subject to transitional provision in **art. 3**)) by **Companies Act 1989** (c. 40, SIF 27), **ss. 1, 11, 213(2)** as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)
- F33** Words in s. 242(1) inserted (1.6.1992) by S.I. 1992/1083, **reg. 2(2)**
- F34** Words in s. 242(1) repealed (1.2.1994) by 1993 c. 38, s. 35(1), **Sch.2**; S.I. 1994/115, **art. 2(2)**
- F35** Words in s. 242(1) inserted (1.2.1994) by 1993 c. 38, s. 30(4)(a); S.I. 1994/115, **art. 2(2)**

#### Modifications etc. (not altering text)

- C47** S. 242 amended by S.I. 1990/2570, **regs. 8(2)(b), 9(2)**
- C48** S. 242(2)–(5) applied with modifications by S.I. 1990/2570, **regs. 12(1)(3), 13(1)(5), 16(2)**

### [<sup>F36</sup>242A Civil penalty for failure to deliver accounts.

- (1) Where the requirements of section 242(1) are not complied with before the end of the period allowed for laying and delivering accounts and reports, the company is liable to a civil penalty. This is in addition to any liability of the directors under section 242.
- (2) The amount of the penalty is determined by reference to the length of the period between the end of the period allowed for laying and delivering accounts and reports and the day on which the requirements are complied with, and whether the company is a public or private company, as follows:—]

Length of period	Public company	Private company
Not more than 3 months.	£500	£100
More than 3 months but not more than 6 months.	£1,000	£250
More than 6 months but not more than 12 months.	£2,000	£500
More than 12 months.	£5,000	£1,000

- (3) The penalty may be recovered by the registrar and shall be paid by him into the Consolidated Fund.

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- (4) It is not a defence in proceedings under this section to prove that the documents in question were not in fact prepared as required by this Part.

#### Textual Amendments

**F36** New ss. 241–244 inserted (1.7.1992 as to s. 242A) (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, 11, 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act); S.I. 1991/2945, arts. 2, 3

#### Modifications etc. (not altering text)

**C49** S. 242A modified (1.7.1992) by S.I. 1991/2945, art. 3(2)

### [<sup>F37</sup> 242B Delivery and publication of accounts in ECUs

(1)

The amounts set out in the annual accounts of a company may also be shown in the same accounts translated into ECUs.

- (2) When complying with section 242, 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 ECUs.

(3) In both cases—

- (a) the amounts must have been translated at the relevant exchange rate prevailing on the balance sheet date, and
- (b) that rate must be disclosed in the notes to the accounts.

- (4) For the purposes of section 240 any additional copy of the company's annual accounts delivered to the registrar under subsection (2) shall be treated as statutory accounts of the company and, in the case of such a copy, references in section 240 to the auditors' report under section 235 shall be read as references to the auditors' report on the annual accounts of which it is a copy.

(5) In this section—

“ECU” means a unit with a value equal to the value of the unit of account known as the ecu used in the European Monetary System, and

“relevant exchange rate” means the rate of exchange used for translating the value of the ecu for the purposes of that System.]

#### Textual Amendments

**F37** S. 242B inserted (16.11.1992) by S.I. 1992/2452, reg.3.

#### Modifications etc. (not altering text)

**C50** S. 242B extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

**C51** S. 242B 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.

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**[<sup>F38</sup>243 Accounts of subsidiary undertakings to be appended in certain cases.**

- (1) The following provisions apply where at the end of the financial year a parent company has as a subsidiary undertaking—
  - (a) a body corporate incorporated outside Great Britain which does not have an established place of business in Great Britain, or
  - (b) an unincorporated undertaking,which is excluded from consolidation in accordance with section 229(4) (undertaking with activities different from the undertakings included in the consolidation).
- (2) There shall be appended to the copy of the company's annual accounts delivered to the registrar in accordance with section 242 a copy of the undertaking's latest individual accounts and, if it is a parent undertaking, its latest group accounts.

If the accounts appended are required by law to be audited, a copy of the auditors' report shall also be appended.
- (3) The accounts must be for a period ending not more than 12 months before the end of the financial year for which the parent company's accounts are made up.
- (4) [<sup>F39</sup>[<sup>F40</sup>Subject to section 255E (delivery of accounting documents in Welsh only),] if any document required to be appended is in a language other than English, [<sup>F41</sup>then, subject to section 710B(6) (delivery of certain Welsh documents without a translation),] the directors 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.
- (5) The above requirements are subject to the following qualifications—
  - (a) an undertaking is not required to prepare for the purposes of this section accounts which would not otherwise be prepared, and if no accounts satisfying the above requirements are prepared none need be appended;
  - (b) a document need not be appended if it would not otherwise be required to be published, or made available for public inspection, anywhere in the world, but in that case the reason for not appending it shall be stated in a note to the company's accounts;
  - (c) where an undertaking and all its subsidiary undertakings are excluded from consolidation in accordance with section 229(4), the accounts of such of the subsidiary undertakings of that undertaking as are included in its consolidated group accounts need not be appended.
- (6) Subsections (2) to (4) of section 242 (penalties, &c. in case of default) apply in relation to the requirements of this section as they apply in relation to the requirements of subsection (1) of that section.]

**Textual Amendments**

- F38** New ss. 241–244 inserted (1.7.1992 as to s. 242A) (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, **Sch. 2**; S.I. 1991/2945, **art. 2** (subject to transitional provisions in **art. 3**)) by **Companies Act 1989 (c. 40, SIF 27)**, **ss. 1, 11, 213(2)** as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)
- F39** Words in s. 243(4) inserted (1.6.1992) by S.I. 1992/1083, **reg. 2(3)**.
- F40** Words in s. 243(4) repealed (1.2.1994) by 1993 c. 38, s. 35(1), **Sch. 2**; S.I. 1994/115, **art. 2(2)**
- F41** Words in s. 243(4) inserted (1.2.1994) by 1993 c. 38, s. **30(4)(a)**; S.I. 1994/115, **art. 2(2)**

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*Status: Point in time view as at 11/08/1994. This version of this chapter contains provisions that are not valid for this point in time.*  
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**[<sup>F42</sup>244 Period allowed for laying and delivering accounts and reports.**

- (1) The period allowed for laying and delivering accounts and reports 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.
 This is subject to the following provisions of this section.
- (2) If the relevant accounting reference period is the company’s first and is a period of more than 12 months, the period allowed is—
  - (a) 10 months or 7 months, as the case may be, from the first anniversary of the incorporation of the company, or
  - (b) 3 months from the end of the accounting reference period,
 whichever last expires.
- (3) Where a company carries on business, or has interests, outside the United Kingdom, the Channel Islands and the Isle of Man, the directors may, in respect of any financial year, give to the registrar before the end of the period allowed by subsection (1) or (2) a notice in the prescribed form—
  - (a) stating that the company so carries on business or has such interests, and
  - (b) claiming a 3 month extension of the period allowed for laying and delivering accounts and reports;
 and upon such a notice being given the period is extended accordingly.
- (4) If the relevant accounting period is treated as shortened by virtue of a notice given by the company under section 225 (alteration of accounting reference date), the period allowed for laying and delivering accounts is that applicable in accordance with the above provisions or 3 months from the date of the notice under that section, whichever last expires.
- (5) If for any special reason the Secretary of State thinks fit he may, on an application made before the expiry of the period otherwise allowed, by notice in writing to a company extend that period by such further period as may be specified in the notice.
- (6) In this section “the relevant accounting reference period” means the accounting reference period by reference to which the financial year for the accounts in question was determined.]

**Textual Amendments**

**F42** New ss. 241–244 inserted (1.7.1992 as to s. 242A) (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, **Sch. 2**; S.I. 1991/2945, **art. 2** (subject to transitionals in **art. 3**)) by **Companies Act 1989** (c. 40, SIF 27), **ss. 1, 11, 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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*[<sup>F43</sup> Revision of defective accounts and reports]*

**Textual Amendments**

**F43** New ss. 245–245C inserted (subject to the saving and transitional provisions in [S.I. 1990/2569, art. 6](#)) by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 12, 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

**245 Voluntary revision of annual accounts or directors' report.**

- (1) If it appears to the directors of a company that any annual accounts of the company, or any directors' report, did not comply with the requirements of this Act, they may prepare revised accounts or a revised report.
- (2) Where copies of the previous accounts or report have been laid before the company in general meeting or delivered to the registrar, the revisions shall be confined to—
  - (a) the correction of those respects in which the previous accounts or report did not comply with the requirements of this Act, and
  - (b) the making of any necessary consequential alterations.
- (3) The Secretary of State may make provision by regulations as to the application of the provisions of this Act in relation to revised annual accounts or a revised directors' report.
- (4) The regulations may, in particular—
  - (a) make different provision according to whether the previous accounts or report are replaced or are supplemented by a document indicating the corrections to be made;
  - (b) make provision with respect to the functions of the company's auditors [<sup>F44</sup>or reporting accountant] in relation to the revised accounts or report;
  - (c) require the directors to take such steps as may be specified in the regulations where the previous accounts or report have been —
    - (i) sent out to members and others under section 238(1),
    - (ii) laid before the company in general meeting, or
    - (iii) delivered to the registrar,or where a summary financial statement based on the previous accounts or report has been sent to members under section 251;
  - (d) apply the provisions of this Act (including those creating criminal offences) subject to such additions, exceptions and modifications as are specified in the regulations.
- (5) Regulations under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

**Textual Amendments**

**F44** Words in [s. 245\(4\)\(b\)](#) inserted (11.8.1994) by [S.I. 1994/1935, reg. 4, Sch. 1 Pt. I para. 2](#)

**Modifications etc. (not altering text)**

**C52** [S. 245\(1\)](#) and (2) excluded by [S.I. 1990/2569, art. 6\(2\)](#)



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**[<sup>F45</sup>245A Secretary of State's notice in respect of annual accounts.**

- (1) Where copies of a company's annual accounts have been sent out under section 238, or a copy of a company's annual accounts has been laid before the company in general meeting or delivered to the registrar, and it appears to the Secretary of State that there is, or may be, a question of whether the accounts comply with the requirements of this Act, he may give notice to the directors of the company indicating the respects in which it appears to him that such a question arises, or may arise.
- (2) The notice shall specify a period of not less than one month for the directors to give him an explanation of the accounts or prepare revised accounts.
- (3) If at the end of the specified period, or such longer period as he may allow, it appears to the Secretary of State that no satisfactory explanation of the accounts has been given and that the accounts have not been revised so as to comply with the requirements of this Act, he may if he thinks fit apply to the court.
- (4) The provisions of this section shall apply equally to revised annual accounts, in which case the references to revised accounts shall be read as references to further revised accounts.]

**Textual Amendments**

**F45** New ss. 245–245C inserted (subject to the saving and transitional provisions in [S.I. 1990/2569, art. 6](#)) by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 12, 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

**Modifications etc. (not altering text)**

**C53** [Ss. 245A](#) and [245B](#) excluded by [S.I. 1990/2569, art. 6\(2\)](#)

**[<sup>F46</sup>245B Application to court in respect of defective accounts.**

- (1) An application may be made to the court—
  - (a) by the Secretary of State, after having complied with section 245A, or
  - (b) by a person authorised by the Secretary of State for the purposes of this section,
 for a declaration or declarator that the annual accounts of a company do not comply with the requirements of this Act and for an order requiring the directors of the company to prepare revised accounts.
- (2) Notice of the application, together with a general statement of the matters at issue in the proceedings, shall be given by the applicant to the registrar for registration.
- (3) If the court orders the preparation of revised accounts, it may give directions with respect to—
  - (a) the auditing of the accounts,
  - (b) the revision of any directors' report or summary financial statement, and
  - (c) the taking of steps by the directors to bring the making of the order to the notice of persons likely to rely on the previous accounts,
 and such other matters as the court thinks fit.
- (4) If the court finds that the accounts did not comply with the requirements of this Act it may order that all or part of—



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- (a) the costs (or in Scotland expenses) of and incidental to the application, and
- (b) any reasonable expenses incurred by the company in connection with or in consequence of the preparation of revised accounts,

shall be borne by such of the directors as were party to the approval of the defective accounts.

For this purpose every director of the company at the time the accounts were approved shall be taken to have been a party to their approval unless he shows that he took all reasonable steps to prevent their being approved.

- (5) Where the court makes an order under subsection (4) it shall have regard to whether the directors party to the approval of the defective accounts knew or ought to have known that the accounts did not comply with the requirements of this Act, and it may exclude one or more directors from the order or order the payment of different amounts by different directors.
- (6) On the conclusion of proceedings on an application under this section, the applicant shall give to the registrar for registration an office copy of the court order or, as the case may be, notice that the application has failed or been withdrawn.
- (7) The provisions of this section apply equally to revised annual accounts, in which case the references to revised accounts shall be read as references to further revised accounts.]

#### Textual Amendments

**F46** New ss. 245–245C inserted (subject to the saving and transitional provisions in [S.I. 1990/2569, art. 6](#)) by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 12, 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

#### Modifications etc. (not altering text)

**C54** [Ss. 245A and 245B](#) excluded by [S.I. 1990/2569, art. 6\(2\)](#)

### [<sup>F47</sup>245C Other persons authorised to apply to court.

- (1) The Secretary of State may authorise for the purposes of section 245B any person appearing to him—
  - (a) to have an interest in, and to have satisfactory procedures directed to securing, compliance by companies with the accounting requirements of this Act,
  - (b) to have satisfactory procedures for receiving and investigating complaints about the annual accounts of companies, and
  - (c) otherwise to be a fit and proper person to be authorised.
- (2) A person may be authorised generally or in respect of particular classes of case, and different persons may be authorised in respect of different classes of case.
- (3) The Secretary of State may refuse to authorise a person if he considers that his authorisation is unnecessary having regard to the fact that there are one or more other persons who have been or are likely to be authorised.
- (4) Authorisation shall be by order made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

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- (5) Where authorisation is revoked, the revoking order may make such provision as the Secretary of State thinks fit with respect to pending proceedings.
- (6) Neither a person authorised under this section, nor any officer, servant or member of the governing body of such a person, shall be liable in damages for anything done or purporting to be done for the purposes of or in connection with—
- (a) the taking of steps to discover whether there are grounds for an application to the court,
  - (b) the determination whether or not to make such an application, or
  - (c) the publication of its reasons for any such decision,
- unless the act or omission is shown to have been in bad faith.]

#### Textual Amendments

- F47** New ss. 245–245C inserted (subject to the saving and transitional provisions in [S.I. 1990/2569, art. 6](#)) by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 12, 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

VALID FROM 06/04/2005

#### **245D Disclosure of information held by Inland Revenue to persons authorised to apply to court**

- (1) Information which is held by or on behalf of the Commissioners of Inland Revenue may be disclosed to a person who is authorised under section 245C of this Act, or under Article 253C of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)), if the disclosure—
- (a) is made for a permitted purpose, and
  - (b) is made by the Commissioners or is authorised by them.
- (2) Such information—
- (a) may be so disclosed despite any other restriction on the disclosure of information whether imposed by any statutory provision or otherwise, but
  - (b) in the case of personal data (within the meaning of the Data Protection Act 1998), may not be disclosed in contravention of that Act.
- (3) For the purposes of subsection (1), a disclosure is made for a permitted purpose if it is made for the purpose of facilitating—
- (a) the taking of steps by the authorised person to discover whether there are grounds for an application to the court under section 245B of this Act or Article 253B of the Companies (Northern Ireland) Order 1986; or
  - (b) a determination by the authorised person as to whether or not to make such an application.
- (4) The power of the Commissioners to authorise a disclosure under subsection (1)(b) may be delegated (either generally or for a specified purpose) to an officer of the Board of Inland Revenue.

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**Modifications etc. (not altering text)**

**C55** S. 245D applied (6.4.2005) by [Companies \(Audit, Investigations and Community Enterprise\) Act 2004](#) (c. 27), [ss. 15, 65](#); [S.I. 2004/3322](#), [art. 2\(2\)](#), Sch. 2 (subject to arts. 3-13)

VALID FROM 06/04/2005

**245E Restrictions on use and further disclosure of information disclosed under section 245D**

- (1) Information that is disclosed to an authorised person under section 245D may not be used except in or in connection with—
  - (a) taking steps to discover whether there are grounds for an application to the court as mentioned in section 245D(3)(a);
  - (b) determining whether or not to make such an application; or
  - (c) proceedings on any such application.
- (2) Information that is disclosed to an authorised person under section 245D may not be further disclosed except—
  - (a) to the person to whom the information relates; or
  - (b) in or in connection with proceedings on any such application to the court.
- (3) A person who contravenes subsection (1) or (2) is guilty of an offence and liable to imprisonment or a fine, or both.
- (4) It is a defence for a person charged with an offence under subsection (3) to prove—
  - (a) that he did not know, and had no reason to suspect, that the information had been disclosed under section 245D; or
  - (b) that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (5) Sections 732 (restriction on prosecutions), 733(2) and (3) (liability of individuals for corporate default) and 734 (criminal proceedings against unincorporated bodies) apply to offences under this section.

**Modifications etc. (not altering text)**

**C56** S. 245E applied (with modifications) (6.4.2005) by [Companies \(Audit, Investigations and Community Enterprise\) Act 2004](#) (c. 27), [ss. 15, 65](#); [S.I. 2004/3322](#), [art. 2\(2\)](#), Sch. 2 (subject to arts. 3-13)

VALID FROM 06/04/2005

**245F Power of authorised persons to require documents, information and explanations**

- (1) This section applies where it appears to a person who is authorised under section 245C of this Act that there is, or may be, a question whether the <sup>F48</sup> a company's annual accounts, directors' report or operating and financial review]

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comply with the requirements of this Act [<sup>F49</sup>(or, where applicable, of Article 4 of the IAS Regulation)] .

- (2) The authorised person may require any of the persons mentioned in subsection (3) to produce any document, or to provide him with any information or explanations, that he may reasonably require for the purpose of—
  - (a) discovering whether there are grounds for an application to the court under section 245B; or
  - (b) determining whether or not to make such an application.
- (3) Those persons are—
  - (a) the company;
  - (b) any officer, employee, or auditor of the company;
  - (c) any persons who fell within paragraph (b) at a time to which the document or information required by the authorised person relates.
- (4) If a person fails to comply with a requirement under subsection (2), the authorised person may apply to the court for an order under subsection (5).
- (5) If on such an application the court decides that the person has failed to comply with the requirement under subsection (2), it may order the person to take such steps as it directs for securing that the documents are produced or the information or explanations are provided.
- (6) A statement made by a person in response to a requirement under subsection (2) or an order under subsection (5) may not be used in evidence against him in any criminal proceedings.
- (7) Nothing in this section compels any person to disclose documents or information in respect of which in an action in the High Court a claim to legal professional privilege, or in an action in the Court of Session a claim to confidentiality of communications, could be maintained.
- (8) In this section “document” includes information recorded in any form.

#### Textual Amendments

- F48** Words in s. 245F(1) substituted (22.3.2005) by [The Companies Act 1985 \(Operating and Financial Review and Directors' Report etc.\) Regulations 2005 \(S.I. 2005/1011\)](#), **reg. 18**
- F49** Words in s. 245F(1) inserted (22.3.2005) by [The Companies Act 1985 \(Operating and Financial Review and Directors' Report etc.\) Regulations 2005 \(S.I. 2005/1011\)](#), **reg. 19, Sch. para. 6**

#### Modifications etc. (not altering text)

- C57** S. 245F applied (with modifications) (6.4.2005) by [Companies \(Audit, Investigations and Community Enterprise\) Act 2004 \(c. 27\)](#), **ss. 15, 65**; S.I. 2004/3322, **art. 2(2)**, Sch. 2 (subject to arts. 3-13)

VALID FROM 06/04/2005

#### **245G Restrictions on further disclosure of information obtained under section 245F**

- (1) This section applies to information (in whatever form) which—

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- (a) has been obtained in pursuance of a requirement or order under section 245F, and
  - (b) relates to the private affairs of an individual or to any particular business.
- (2) No such information may, during the lifetime of that individual or so long as that business continues to be carried on, be disclosed without the consent of that individual or the person for the time being carrying on that business.
- (3) Subsection (2) does not apply to any disclosure of information which—
  - (a) is made for the purpose of facilitating the carrying out by a person authorised under section 245C of his functions under section 245B;
  - (b) is made to a person specified in Part 1 of Schedule 7B;
  - (c) is of a description specified in Part 2 of that Schedule; or
  - (d) is made in accordance with Part 3 of that Schedule.
- (4) The Secretary of State may by order amend Schedule 7B.
- (5) An order under subsection (4) must not—
  - (a) amend Part 1 of Schedule 7B by specifying a person unless the person exercises functions of a public nature (whether or not he exercises any other function);
  - (b) amend Part 2 of Schedule 7B by adding or modifying a description of disclosure unless the purpose for which the disclosure is permitted is likely to facilitate the exercise of a function of a public nature;
  - (c) amend Part 3 of Schedule 7B so as to have the effect of permitting disclosures to be made to a body other than one that exercises functions of a public nature in a country or territory outside the United Kingdom.
- (6) An order under subsection (4) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (7) A person who discloses any information in contravention of this section—
  - (a) is guilty of an offence, and
  - (b) is liable on conviction to imprisonment or a fine, or both.
- (8) However, it is a defence for a person charged with an offence under subsection (7) to prove—
  - (a) that he did not know, and had no reason to suspect, that the information had been disclosed under section 245F; or
  - (b) that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (9) Sections 732 (restriction on prosecutions), 733 (liability of individuals for corporate default) and 734 (criminal proceedings against unincorporated bodies) apply to offences under this section.
- (10) This section does not prohibit the disclosure of information if the information is or has been available to the public from any other source.
- (11) Nothing in this section authorises the making of a disclosure in contravention of the Data Protection Act 1998.

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**Modifications etc. (not altering text)**

**C58** S. 245G applied (with modifications) (6.4.2005) by Companies (Audit, Investigations and Community Enterprise) Act 2004 (c. 27), **ss. 15**, 65; S.I. 2004/3322, **art. 2(2)**, Sch. 2 (subject to arts. 3-13)

**Status:**

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**Changes to legislation:**

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