



# Companies Act 2006

## 2006 CHAPTER 46

### PART 15

#### ACCOUNTS AND REPORTS

### CHAPTER 4

#### ANNUAL ACCOUNTS

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

- C1** Pt. 15 Ch. 4 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**

##### *General*

#### **393 Accounts to give true and fair view**

- (1) The directors of a company must not approve accounts for the purposes of this Chapter unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss—
  - (a) in the case of the company's individual accounts, of the company;
  - (b) in the case of the company's group accounts, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.
- (2) The auditor of a company in carrying out his functions under this Act in relation to the company's annual accounts must have regard to the directors' duty under subsection (1).

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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

- C2** S. 393 applied (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 3(2)(a)(i)**
- C3** S. 393 applied (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 3(2)(b)**
- C4** S. 393 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 8**
- C5** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

*Individual accounts*

**394 Duty to prepare individual accounts**

The directors of every company must prepare accounts for the company for each of its financial years [<sup>F1</sup>unless the company is exempt from that requirement under section 394A].

Those accounts are referred to as the company's “individual accounts”.

**Textual Amendments**

- F1** Words in s. 394 inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), **regs. 1, 8**

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

- C6** Ss. 394-397 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 9** (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. 2012/2301, **regs. 1, 20(5)(a)**)
- C7** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with **Sch. 8**) (as amended (E.W.S.) (1.10.2018) by [The Occupational Pension Schemes \(Master Trusts\) Regulations 2018 \(S.I. 2018/1030\)](#), **regs. 1(2), 32(2)**)
- C8** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with **Sch. 8**)
- C9** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

**[<sup>F2</sup>394A Individual accounts: exemption for dormant subsidiaries**

- (1) A company is exempt from the requirement to prepare individual accounts for a financial year if—
- (a) it is itself a subsidiary undertaking,
  - (b) it has been dormant throughout the whole of that year, and
  - (c) its parent undertaking is established under the law of an EEA State.

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (2) Exemption is conditional upon compliance with all of the following conditions—
- (a) all members of the company must agree to the exemption in respect of the financial year in question,
  - (b) the parent undertaking must give a guarantee under section 394C in respect of that year,
  - (c) the company must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
    - (i) the provisions of the Seventh Directive (83/349/EEC), or
    - (ii) international accounting standards,
  - (d) the parent undertaking must disclose in the notes to the consolidated accounts that the company is exempt from the requirement to prepare individual accounts by virtue of this section, and
  - (e) the directors of the company must deliver to the registrar within the period for filing the company's accounts and reports for that year—
    - (i) a written notice of the agreement referred to in subsection (2)(a),
    - (ii) the statement referred to in section 394C(1),
    - (iii) a copy of the consolidated accounts referred to in subsection (2)(c),
    - (iv) a copy of the auditor's report on those accounts, and
    - (v) a copy of the consolidated annual report drawn up by the parent undertaking.

#### Textual Amendments

**F2** Ss. 394A-394C inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **9**

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

**C10** Ss. 394A, 394B, 394C applied (with modifications) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), reg. 9 (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. [2012/2301](#), regs. 1, **20(5)(b)**) and as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **8**

### 394B Companies excluded from the dormant subsidiaries exemption

A company is not entitled to the exemption conferred by section 394A (dormant subsidiaries) if it was at any time within the financial year in question—

- (a) a quoted company as defined in section 385(2) of this Act,
- (b) a company that—
  - (i) is an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company, or
  - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52) or an employers'

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807) (NI 5).

#### Textual Amendments

**F2** Ss. 394A-394C inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **9**

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

**C11** Ss. 394A, 394B, 394C applied (with modifications) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), reg. 9 (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [S.I. 2012/2301](#), regs. 1, **20(5)(b)**) and as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **8**

### **394C Dormant subsidiaries exemption: parent undertaking declaration of guarantee**

- (1) A guarantee is given by a parent undertaking under this section when the directors of the subsidiary company deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary company under this section.
- (2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—
  - (a) the name of the parent undertaking,
  - (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
  - (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
  - (d) the name and registered number of the subsidiary company in respect of which the guarantee is being given,
  - (e) the date of the statement, and
  - (f) the financial year to which the guarantee relates.
- (3) A guarantee given under this section has the effect that—
  - (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
  - (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.]

#### Textual Amendments

**F2** Ss. 394A-394C inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **9**

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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

**C12** Ss. 394A, 394B, 394C applied (with modifications) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), reg. 9 (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [S.I. 2012/2301](#), regs. 1, **20(5)(b)**) and as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **8**)

### **395 Individual accounts: applicable accounting framework**

- (1) A company's individual accounts may be prepared—
- (a) in accordance with section 396 (“Companies Act individual accounts”), or
  - (b) in accordance with international accounting standards (“IAS individual accounts”).

This is subject to the following provisions of this section and to section 407 (consistency of financial reporting within group).

- (2) The individual accounts of a company that is a charity must be Companies Act individual accounts.
- (3) After the first financial year in which the directors of a company prepare IAS individual accounts (“the first IAS year”), all subsequent individual accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance. [<sup>F3</sup>This is subject to subsection (4A).]
- (4) There is a relevant change of circumstance if, at any time during or after the first IAS year—
- (a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS individual accounts,
  - [<sup>F4</sup>(aa) the company ceases to be a subsidiary undertaking,]
  - (b) the company ceases to be a company with securities admitted to trading on a regulated market in an EEA State, or
  - (c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market in an EEA State.

[<sup>F5</sup>(4A) After a financial year in which the directors of a company prepare IAS individual accounts for the company, the directors may change to preparing Companies Act individual accounts for a reason other than a relevant change of circumstance provided they have not changed to Companies Act individual accounts in the period of five years preceding the first day of that financial year.

(4B) In calculating the five year period for the purpose of subsection (4A), no account should be taken of a change due to a relevant change of circumstance.]

- (5) If, having changed to preparing Companies Act individual accounts<sup>F6</sup> . . . , the directors again prepare IAS individual accounts for the company, subsections (3) and (4) apply again as if the first financial year for which such accounts are again prepared were the first IAS year.

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

### Textual Amendments

- F3** Words in s. 395(3) inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **12**
- F4** S. 395(4)(aa) inserted (6.4.2008) by virtue of [The Companies Act 2006 \(Amendment\) \(Accounts and Reports\) Regulations 2008 \(S.I. 2008/393\)](#), **reg. 9**
- F5** S. 395(4A)(4B) inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **13**
- F6** Words in s. 395(5) omitted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by virtue of [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **14**

### Modifications etc. (not altering text)

- C13** Ss. 394-397 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 9** (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. 2012/2301, regs. 1, **20(8)**)
- C14** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies regulations 2009 \(S.I. 2009/1801\)](#), {reg. 38} (with Sch. 8)
- C15** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with Sch. 8)
- C16** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

## 396 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 accounts must—
  - (a) in the case of the balance sheet, give a true and fair view of the state of affairs of the company as at the end of the financial year, and
  - (b) in the case of the profit and loss account, give a true and fair view of the profit or loss of the company for the financial year.
- (3) The accounts must comply with provision made by the Secretary of State by regulations as to—
  - (a) the form and content of the balance sheet and profit and loss account, and
  - (b) additional information to be provided by way of notes to the accounts.
- (4) If compliance with the regulations, and any other provision made by or under 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.

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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

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

- C17** Ss. 394-397 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 9**
- C18** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies regulations 2009 \(S.I. 2009/1801\)](#), {reg. 38} (with Sch. 8)
- C19** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with Sch. 8)
- C20** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in regs. 7, 9, Sch. 2)
- C21** S. 396(2) applied (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 3(2)(a)(ii)**

**Commencement Information**

- II** S. 396 wholly in force at 6.4.2008; s. 396 not in force at Royal Assent, see s. 1300; s. 396 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 396 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with [arts. 7, 12](#), [Sch. 4 paras. 6-8](#))

**397 IAS individual accounts**

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

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

- C22** Ss. 394-397 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 9**
- C23** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies regulations 2009 \(S.I. 2009/1801\)](#), {reg. 38} (with Sch. 8)
- C24** Ss. 394-397 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with Sch. 8)
- C25** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

*Group accounts: small companies*

**398 Option to prepare group accounts**

If at the end of a financial year a company subject to the small companies regime is a parent company the directors, as well as preparing individual accounts for the year, may prepare group accounts for the year.

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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

- C26** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C27** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in [regs. 7, 9, Sch. 2](#))

*Group accounts: other companies*

**399 Duty to prepare group accounts**

- (1) This section applies to companies that are not subject to the small companies regime.
- (2) If at the end of a financial year the company is a parent company the directors, as well as preparing individual accounts for the year, must prepare group accounts for the year unless the company is exempt from that requirement.
- (3) There are exemptions under—
  - section 400 (company included in EEA accounts of larger group),
  - section 401 (company included in non-EEA accounts of larger group), and
  - section 402 (company none of whose subsidiary undertakings need be included in the consolidation).
- (4) A company to which this section applies but which is exempt from the requirement to prepare group accounts, may do so.

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

- C28** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C29** S. 399 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with [Sch. 8](#))
- C30** S. 399 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with [Sch. 8](#))
- C31** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in [regs. 7, 9, Sch. 2](#))

**400 Exemption for company included in EEA group 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 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% of the allotted 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 allotted shares in the company, or
    - (ii) 5% of the total allotted shares in the company.



---

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

---

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) the company must be 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 an EEA State;
  - (b) those accounts must be drawn up and audited, and that parent undertaking's annual report must be drawn up, according to that law—
    - (i) in accordance with the provisions of the Seventh Directive (83/349/EEC) (as modified, where relevant, by the provisions of the Bank Accounts Directive (86/635/EEC) or the Insurance Accounts Directive (91/674/EEC)), or
    - (ii) in accordance with international accounting standards;
  - (c) the company must disclose in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
  - (d) the company must state in its individual accounts the name of the parent undertaking that draws up the group accounts referred to above and—
    - (i) if it is incorporated outside the United Kingdom, the country in which it is incorporated, or
    - (ii) if it is unincorporated, the address of its principal place of business;
  - (e) the company must deliver to the registrar, within the period for filing its accounts and reports for the financial year in question, copies of—
    - (i) those group accounts, and
    - (ii) the parent undertaking's annual report,together with the auditor's report on them;
  - (f) any requirement of Part 35 of this Act as to the delivery to the registrar of a certified translation into English must be met in relation to any document comprised in the accounts and reports delivered in accordance with paragraph (e).
- (3) 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.
- (4) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market in an EEA State.
- (5) 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 this section whether the company is a wholly-owned subsidiary.
- (6) In subsection (4) “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 that confer—
    - (i) property rights in respect of a security falling within paragraph (a), (b) or (c),

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (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.

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

- C32** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C33** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

**401 Exemption for company included in non-EEA group 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 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% of the allotted 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 allotted shares in the company, or
    - (ii) 5% of the total allotted 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) the company and all of its subsidiary undertakings must be 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) those accounts and, where appropriate, the group's annual report, must be drawn up—
    - (i) in accordance with the provisions of the Seventh Directive ([83/349/EEC](#)) (as modified, where relevant, by the provisions of the Bank Accounts Directive ([86/635/EEC](#)) or the Insurance Accounts Directive ([91/674/EEC](#))), or
    - (ii) in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up;
  - (c) the group accounts must be 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) the company must disclose in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
  - (e) the company must state 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 the United Kingdom, the country in which it is incorporated, or

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (ii) if it is unincorporated, the address of its principal place of business;
    - (f) the company must deliver to the registrar, within the period for filing its accounts and reports for the financial year in question, copies of—
      - (i) the group accounts, and
      - (ii) where appropriate, the consolidated annual report, together with the auditor's report on them;
    - (g) any requirement of Part 35 of this Act as to the delivery to the registrar of a certified translation into English must be met in relation to any document comprised in the accounts and reports delivered in accordance with paragraph (f).
- (3) 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.
- (4) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market in an EEA State.
- (5) 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 this section whether the company is a wholly-owned subsidiary.
- (6) In subsection (4) “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 that 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.

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

- C34** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C35** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

**402 Exemption if no subsidiary undertakings need be included in the consolidation**

A parent company is exempt from the requirement to prepare group accounts if under section 405 all of its subsidiary undertakings could be excluded from consolidation in Companies Act group accounts.

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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

- C36** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C37** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with [Sch. 8](#))
- C38** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with [Sch. 8](#))
- C39** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5**, **Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9**, **Sch. 2**)

*Group accounts: general*

**403 Group accounts: applicable accounting framework**

- (1) The group accounts of certain parent companies are required by Article 4 of the IAS Regulation to be prepared in accordance with international accounting standards (“IAS group accounts”).
- (2) The group accounts of other companies may be prepared—
  - (a) in accordance with section 404 (“Companies Act group accounts”), or
  - (b) in accordance with international accounting standards (“IAS group accounts”).

This is subject to the following provisions of this section.

- (3) The group accounts of a parent company that is a charity must be Companies Act group accounts.
- (4) After the first financial year in which the directors of a parent company prepare IAS group accounts (“the first IAS year”), all subsequent group accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance. [<sup>F7</sup>This is subject to subsection (5A).]
- (5) There is a relevant change of circumstance if, at any time during or after the first IAS year—
  - (a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS group accounts,
  - (b) the company ceases to be a company with securities admitted to trading on a regulated market in an EEA State, or
  - (c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market in an EEA State.

[<sup>F8</sup>(5A) After a financial year in which the directors of a parent company prepare IAS group accounts for the company, the directors may change to preparing Companies Act group accounts for a reason other than a relevant change of circumstance provided they have not changed to Companies Act group accounts in the period of five years preceding the first day of that financial year.

(5B) In calculating the five year period for the purpose of subsection (5A), no account should be taken of a change due to a relevant change of circumstance.]

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (6) If, having changed to preparing Companies Act group accounts<sup>F9</sup> . . . , the directors again prepare IAS group accounts for the company, subsections (4) and (5) apply again as if the first financial year for which such accounts are again prepared were the first IAS year.

#### Textual Amendments

- F7** Words in s. 403(4) inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **15**
- F8** S. 403(5A)(5B) inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **16**
- F9** Words in s. 403(6) omitted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by virtue of [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **17**

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

- C40** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10** (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. 2012/2301, regs. 1, **20(9)**)
- C41** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with Sch. 8)
- C42** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with Sch. 8)
- C43** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

## 404 Companies Act group accounts

- (1) Companies Act group accounts must comprise—
- a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings, and
  - 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) The accounts must comply with provision made by the Secretary of State by regulations 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) If compliance with the regulations, and any other provision made by or under this Act as to the matters to be included in a company's group accounts or in notes to those

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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.

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

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

- C44** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C45** S. 404(2) applied (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 3(2)(a)(iii)**
- C46** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with [Sch. 8](#))
- C47** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with [Sch. 8](#))
- C48** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5**, **Sch. 1 para. 10** (with transitional provisions and savings in [regs. 7, 9](#), [Sch. 2](#))

#### **Commencement Information**

- I2** S. 404 wholly in force at 6.4.2008; s. 404 not in force at Royal Assent, see s. 1300; s. 404 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 404 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with [arts. 7, 12](#), [Sch. 4 paras. 6-8](#))

### **405 Companies Act group accounts: subsidiary undertakings included in the consolidation**

- (1) Where a parent company prepares Companies Act group accounts, all the subsidiary undertakings of the company must be included in the consolidation, subject to the following exceptions.
- (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) A subsidiary undertaking may be excluded from consolidation where—
- severe long-term restrictions substantially hinder the exercise of the rights of the parent company over the assets or management of that undertaking, or
  - the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay, or
  - the interest of the parent company is held exclusively with a view to subsequent resale.
- (4) The reference in subsection (3)(a) to the rights of the parent company and the reference in subsection (3)(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 the definition

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

of “parent undertaking” (see section 1162) in the absence of which it would not be the parent company.

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

- C49** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C50** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with [Sch. 8](#))
- C51** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with [Sch. 8](#))
- C52** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

#### **406 IAS group accounts**

Where the directors of a 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.

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

- C53** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C54** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 38** (with [Sch. 8](#))
- C55** Ss. 402-406 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 53** (with [Sch. 8](#))
- C56** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

#### **407 Consistency of financial reporting within group**

- (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.

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (5) Subsection (1)(a) does not apply where the directors of a parent company prepare IAS group accounts and IAS individual accounts.

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

- C57** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C58** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

**408 Individual profit and loss account where group accounts prepared**

- (1) This section applies where—
- (a) a company prepares group accounts in accordance with this Act, and
  - (b) the notes to the company's individual balance sheet show the company's profit or loss for the financial year determined in accordance with this Act.
- (2) [<sup>F10</sup>The company's individual profit and loss account] need not contain the information specified in section 411 (information about employee numbers and costs).
- (3) The company's individual profit and loss account must be approved in accordance with section 414(1) (approval by directors) but may be omitted from the company's annual accounts for the purposes of the other provisions of the Companies Acts.
- (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**

- F10** Words in s. 408(2) substituted (6.4.2008) by [The Companies Act 2006 \(Amendment\) \(Accounts and Reports\) Regulations 2008 \(S.I. 2008/393\)](#), **reg. 10**

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

- C59** Ss. 398-408 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 10**
- C60** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

*Information to be given in notes to the accounts*

**409 Information about related undertakings**

- (1) The Secretary of State may make provision by regulations requiring information about related undertakings to be given in notes to a company's annual accounts.
- (2) The regulations—
- (a) may make different provision according to whether or not the company prepares group accounts, and



*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (b) may specify the descriptions of undertaking in relation to which they apply, and make different provision in relation to different descriptions of related undertaking.
- (3) The regulations may provide that information need not be disclosed with respect to an undertaking that—
  - (a) is established under the law of a country outside the United Kingdom, or
  - (b) carries on business outside the United Kingdom,if the following conditions are met.
- (4) The conditions are—
  - (a) that in the opinion of the directors of the company the disclosure would be seriously prejudicial to the business of—
    - (i) that undertaking,
    - (ii) the company,
    - (iii) any of the company's subsidiary undertakings, or
    - (iv) any other undertaking which is included in the consolidation;
  - (b) that the Secretary of State agrees that the information need not be disclosed.
- (5) Where advantage is taken of any such exemption, that fact must be stated in a note to the company's annual accounts.

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

- C61** Ss. 409-411 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 11**
- C62** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

#### **Commencement Information**

- I3** S. 409 wholly in force at 6.4.2008; s. 409 not in force at Royal Assent, see s. 1300; s. 409 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to **art. 5, Sch. 1** and with **arts. 6, 8, Sch. 5**); s. 409 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with **arts. 7, 12, Sch. 4 paras. 6-8**)

## **410 Information about related undertakings: alternative compliance**

- (1) This section applies where the directors of a 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 regulations under section 409 (related undertakings) is such that compliance with that provision would result in information of excessive length being given in notes to the company's annual accounts.
- (2) 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) where the company prepares group accounts, undertakings excluded from consolidation under section 405(3) (undertakings excluded on grounds other than materiality).

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (3) If advantage is taken of subsection (2)—
- (a) there must 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) must 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 414.

- (4) If a company fails to comply with subsection (3)(b), an offence is committed by—
- (a) the company, and
  - (b) every officer of the company who is in default.
- (5) A person guilty of an offence under subsection (4) is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.

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

**C63** Ss. 409-411 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 11**

**C64** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

**[<sup>F11</sup>410A Information about off-balance sheet arrangements**

- (1) In the case of a company that is not subject to the small companies regime, if in any financial year—
- (a) the company is or has been party to arrangements that are not reflected in its balance sheet, and
  - (b) at the balance sheet date the risks or benefits arising from those arrangements are material,
- the information required by this section must be given in notes to the company's annual accounts.
- (2) The information required is—
- (a) the nature and business purpose of the arrangements, and
  - (b) the financial impact of the arrangements on the company.
- (3) The information need only be given to the extent necessary for enabling the financial position of the company to be assessed.
- (4) If the company qualifies as medium-sized in relation to the financial year (see sections 465 to 467) it need not comply with subsection (2)(b).
- (5) This section applies in relation to group accounts as if the undertakings included in the consolidation were a single company.]

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

### Textual Amendments

**F11** S. 410A inserted (6.4.2008) by [The Companies Act 2006 \(Amendment\) \(Accounts and Reports\) Regulations 2008 \(S.I. 2008/393\)](#), **reg. 8**

### Modifications etc. (not altering text)

**C65** Ss. 409-411 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 11**

**C66** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

## 411 Information about employee numbers and costs

- (1) In the case of a company not subject to the small companies regime, 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 categories by reference to which the number required to be disclosed by subsection (1)(b) is to be determined must be such as the directors may select having regard to the manner in which the company's activities are organised.
- (3) 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.
- (4) 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 adding together all the monthly numbers.
- (5) 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.

- (6) In subsection (5)—
  - “pension costs” includes any costs incurred by the company in respect of—
    - (a) any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the company,

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (b) any sums set aside for the future payment of pensions directly by the company to current or former employees, and
  - (c) any pensions paid directly to such persons without having first been set aside;
- “social security costs” means any contributions by the company to any state social security or pension scheme, fund or arrangement.

[<sup>F12</sup>(7) This section applies in relation to group accounts as if the undertakings included in the consolidation were a single company.]

#### Textual Amendments

**F12** S. 411(7) substituted (6.4.2008) by [The Companies Act 2006 \(Amendment\) \(Accounts and Reports\) Regulations 2008 \(S.I. 2008/393\)](#), **reg. 11**

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

**C67** Ss. 409-411 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 11**

**C68** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), **regs. 3-5, Sch. 1 para. 10** (with transitional provisions and savings in **regs. 7, 9, Sch. 2**)

## 412 Information about directors' benefits: remuneration

- (1) The Secretary of State may make provision by regulations requiring information to be given in notes to a company's annual accounts about directors' remuneration.
- (2) The matters about which information may be required include—
  - (a) gains made by directors on the exercise of share options;
  - (b) benefits received or receivable by directors under long-term incentive schemes;
  - (c) payments for loss of office (as defined in section 215);
  - (d) benefits receivable, and contributions for the purpose of providing benefits, in respect of past services of a person as director or in any other capacity while director;
  - (e) consideration paid to or receivable by third parties for making available the services of a person as director or in any other capacity while director.
- (3) Without prejudice to the generality of subsection (1), regulations under this section may make any such provision as was made immediately before the commencement of this Part by Part 1 of Schedule 6 to the Companies Act 1985 (c. 6).
- (4) For the purposes of this section, and regulations made under it, amounts paid to or receivable by—
  - (a) a person connected with a director, or
  - (b) a body corporate controlled by a director,
 are treated as paid to or receivable by the director.

The expressions “connected with” and “controlled by” in this subsection have the same meaning as in Part 10 (company directors).

- (5) It is the duty of—

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (a) any director of a company, and
- (b) any person who is or 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 regulations under this section.

- (6) A person who makes default in complying with subsection (5) commits an offence and is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

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

**C69** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 10** (with transitional provisions and savings in [regs. 7, 9, Sch. 2](#))

#### **Commencement Information**

**I4** S. 412 wholly in force at 6.4.2008; s. 412 not in force at Royal Assent, see s. 1300; s. 412 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to [art. 5, Sch. 1](#) and with [arts. 6, 8, Sch. 5](#)); s. 412 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with [arts. 7, 12, Sch. 4 paras. 6-8](#))

### **413 Information about directors' benefits: advances, credit and guarantees**

- (1) In the case of a company that does not prepare group accounts, details of—
  - (a) advances and credits granted by the company to its directors, and
  - (b) guarantees of any kind entered into by the company on behalf of its directors, must be shown in the notes to its individual accounts.
- (2) In the case of a parent company that prepares group accounts, details of—
  - (a) advances and credits granted to the directors of the parent company, by that company or by any of its subsidiary undertakings, and
  - (b) guarantees of any kind entered into on behalf of the directors of the parent company, by that company or by any of its subsidiary undertakings, must be shown in the notes to the group accounts.
- (3) The details required of an advance or credit are—
  - (a) its amount,
  - (b) an indication of the interest rate,
  - (c) its main conditions, and
  - (d) any amounts repaid.
- (4) The details required of a guarantee are—
  - (a) its main terms,
  - (b) the amount of the maximum liability that may be incurred by the company (or its subsidiary), and
  - (c) any amount paid and any liability incurred by the company (or its subsidiary) for the purpose of fulfilling the guarantee (including any loss incurred by reason of enforcement of the guarantee).
- (5) There must also be stated in the notes to the accounts the totals—

*Status: Point in time view as at 31/07/2013.*

*Changes to legislation: Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (a) of amounts stated under subsection (3)(a),
  - (b) of amounts stated under subsection (3)(d),
  - (c) of amounts stated under subsection (4)(b), and
  - (d) of amounts stated under subsection (4)(c).
- (6) References in this section to the directors of a company are to the persons who were a director at any time in the financial year to which the accounts relate.
- (7) The requirements of this section apply in relation to every advance, credit or guarantee subsisting at any time in the financial year to which the accounts relate—
- (a) whenever it was entered into,
  - (b) whether or not the person concerned was a director of the company in question at the time it was entered into, and
  - (c) in the case of an advance, credit or guarantee involving a subsidiary undertaking of that company, whether or not that undertaking was such a subsidiary undertaking at the time it was entered into.
- (8) Banking companies and the holding companies of credit institutions need only state the details required by <sup>F13</sup>subsection (5)(a) and (c)].

#### Textual Amendments

**F13** Words in s. 413(8) substituted (23.12.2009) by [The Companies Act 2006 \(Amendment of Section 413\) Regulations 2009 \(S.I. 2009/3022\)](#), [reg. 2](#) (with application as mentioned in [reg. 1\(2\)](#))

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

**C70** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), [regs. 3-5](#), [Sch. 1 para. 10](#) (with transitional provisions and savings in [regs. 7, 9](#), [Sch. 2](#))

### *Approval and signing of accounts*

#### **414 Approval and signing of accounts**

- (1) A company's annual accounts must be approved by the board of directors and signed on behalf of the board by a director of the company.
- (2) The signature must be on the company's balance sheet.
- (3) If the accounts are prepared in accordance with the provisions applicable to companies subject to the small companies regime, the balance sheet must contain a statement to that effect in a prominent position above the signature.
- (4) If annual accounts are approved that do not comply with the requirements of this Act (and, where applicable, of Article 4 of the IAS Regulation), every director of the company who—
  - (a) knew that they did not comply, or was reckless as to whether they complied, and
  - (b) failed to take reasonable steps to secure compliance with those requirements or, as the case may be, to prevent the accounts from being approved,
 commits an offence.

---

**Status:** Point in time view as at 31/07/2013.

**Changes to legislation:** Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

---

- (5) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to a fine;
  - (b) on summary conviction, to a fine not exceeding the statutory maximum.

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

- C71** S. 414 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 4**
- C72** S. 414 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 12**
- C73** S. 414 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 39** (with [Sch. 8](#))
- C74** S. 414 applied (with modifications) (1.10.2009) by [The Overseas Companies Regulations 2009 \(S.I. 2009/1801\)](#), **reg. 54** (with [Sch. 8](#))
- C75** Ss. 380-416 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), [regs. 3-5](#), **Sch. 1 para. 10** (with transitional provisions and savings in [regs. 7, 9](#), [Sch. 2](#))

**Status:**

Point in time view as at 31/07/2013.

**Changes to legislation:**

Companies Act 2006, Chapter 4 is up to date with all changes known to be in force on or before 26 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.