



*Companies House*

— *for the record* —

# **Accounts and Accounting Reference Dates**

***March 2005***

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## Accounts and Accounting Reference Dates - GBA3

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*This is a guide only and should be read with the relevant legislation.*

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### Introduction

This booklet is a guide to the rules governing public disclosure of accounts by all limited companies.

The booklet covers three main topics:

1. **Accounting reference dates (ARD).** The ARD is the financial year-end. It is also the date that determines when accounts are due for delivery to Companies House. Every company has an ARD. Companies House must be told in advance when the date is about to be changed. It can be costly if you forget to tell us and prepare accounts to the wrong date. If you do, we will refuse registration of the accounts and you will have to prepare fresh accounts to the ARD held on record at Companies House.
2. **Preparing and filing accounts.** There are deadlines by which accounts must be prepared and delivered to Companies House. If you miss the deadline an automatic penalty will be levied, without exception. So it is important that you, your accountants and your [auditors](#) are aware of the filing deadline.
3. **Content of accounts.** This booklet cannot tell you how to prepare company accounts - your accountant has specialist knowledge of this. But it will tell you what documents make up a set of accounts, what exemptions you may be able to take

advantage of, and whether you will need to appoint an [auditor](#).

You will find the relevant law in the Companies Act 1985 (as amended in 1989 and later).

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## **CHAPTER 1**

### **Accounting reference dates**

#### **1. What is a financial year?**

Every company must prepare annual accounts that report on the performance and activities of the company during the year. The period reported on in the accounts is called the financial year. This starts on the day after the previous financial year ended or, in the case of a new company, on the day of incorporation.

A more precise term for a financial year is an accounting reference period

The accounting reference period ends on the accounting reference date (ARD) - see questions 2 and 3 - or a date up to seven days either side of the ARD, if this is more convenient.

#### **2. How is the ARD fixed?**

For a new company, the ARD is set using its date of incorporation - see question 3. You can change the first accounting reference period and subsequent accounting reference periods by changing the ARD - see questions 4 and 5.

#### **3. What period must a company's first accounts cover?**

For all new companies, the first accounting reference period is automatically set as the first anniversary of the last day in the month in which the company was incorporated. For example, if the company was incorporated on 10 June 1999 its ARD would be set at 30 June, and the first accounts would cover a period from 10 June 1999 to 30 June 2000 - or up to seven days either side of that date. Although the ARD is set on incorporation, you can change it - see question 4.

#### **4. Can the ARD be changed?**

Yes, by completing [Form 225](#) and sending it to Companies House. But the change can only be made to the current or the immediately previous accounting reference period and you have to register the new ARD before the filing deadline of the accounts. In other words, if Companies House is expecting accounts for a particular accounting reference period and they become overdue, it is too late to say that you wanted to change the ARD. Private companies normally have 10 months and public companies 7 months to send their accounts to Companies House. The period allowed for sending a company's first accounts is calculated differently and this is explained in [chapter 2](#).

## 5. Are there any restrictions on changing the ARD?

You may change an ARD by shortening an accounting reference period as often as you like and by as many months as you like. However, there are restrictions on extending accounting reference periods:

- You may not extend a period so that it lasts more than 18 months from the start date of the accounting period.
- You may not extend more than once in 5 years unless:
  - (a) the company is subject to an administration order; or
  - (b) the Secretary of State has directed this; or
  - (c) the company is aligning its accounting reference date with that of a subsidiary or parent undertaking established within the European Economic Area. Countries comprising the European Economic Area are as follows:

Iceland, Norway, Finland, Sweden, Ireland, United Kingdom, Denmark, Germany, Netherlands, Belgium, Luxembourg, Austria, Portugal, Spain, France, Italy, Greece, Liechtenstein, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia.

## 6. What about companies incorporated overseas?

A company incorporated overseas which has registered:

- a branch in Great Britain, and which does not have to publish audited accounts in its country of incorporation; or
- a place of business in Great Britain;

is subject to the same ARD rules except that it is not restricted as to how often it may extend accounting periods. The same [Form 225](#) is used to change the ARD.

A company incorporated overseas which has registered a branch in Great Britain, and which has to publish accounts in its country of incorporation is subject to different rules - see our booklet, '[Overseas Companies](#)'.

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## CHAPTER 2

### Preparing and filing accounts

This chapter explains the basic rules on filing accounts. It applies to all company accounts irrespective of whether any filing exemptions apply to the content of the accounts.

## 1. Do all companies have to keep accounting records?

Yes. All limited and unlimited companies, whether or not they are trading, must keep accounting records.

## 2. What does a set of accounts include?

Generally, accounts must include:

- a **profit and loss account** (or income and expenditure account if the company is not trading for profit);
- a **balance sheet** signed by a director;
- an **auditors' report** signed by the auditor (if appropriate);
- a **directors' report** signed by a director or the secretary of the company;
- notes to the accounts; and
- group accounts (if appropriate).

This booklet cannot go into the detailed information that these documents must contain - for this see the Companies Act. Certain information may be omitted from the accounts of medium-sized and small (including very small and dormant) companies prepared under the special provisions of part VII of the Act. These companies may further abbreviate the accounts they file at Companies House - see [chapter 3](#). Very small companies and dormant companies may also be exempt from audit - see chapters [4](#) and [5](#).

## 3. Do all companies have to deliver their accounts to the Registrar?

All *limited and public limited companies* must send their accounts to the Registrar. If they are eligible and wish to, medium-sized, small, very small and dormant companies may prepare and file 'abbreviated accounts' - see [chapter 3](#), [4](#) and [5](#).

*Unlimited companies* need only deliver accounts to the Registrar if, during the period covered by the accounts, the company was:

- a subsidiary or a parent of a limited undertaking; or
- a banking or insurance company (or the parent company of a banking or insurance company); or
- a 'qualifying company' within the meaning of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 - see [chapter 7](#) of this booklet; or
- operating a trading stamp scheme.

## 4. What period must the accounts cover?

A company's first accounts cover the period starting on the date of incorporation, not the first day of trading. They end on the accounting reference date (ARD) or up to 7 days

either side of that date. ARDs and how to change them are covered in [chapter 1](#).

Subsequent accounts start on the day after the previous accounts ended. They finish on the ARD or up to 7 days either side of it.

## 5. How long do I have to file my company's first accounts?

If you are filing your company's **first** accounts and they cover a period of more than 12 months, they must be delivered to the Registrar **within 22 months of the date of incorporation** for **private** companies and **19 months** for **public** companies or 3 months from the ARD, whichever is longer. The [definition of a period of months](#) in connection with filing the accounts also applies to the first accounts. For example, a private company incorporated on 1 January with an Accounting Reference Date (ARD) of 31 January has until midnight on 1 November (22 months from the date of incorporation) to deliver its accounts, not *30 November*.

## 6. How long do I normally have to file my accounts?

Unless you are filing you company's first accounts ([see question 5](#)) the time normally allowed for delivering accounts to Companies House is:

- for a **private company**, 10 months from the ARD;
- for a **public company**, 7 months from the ARD.

However, if the accounting reference period has been shortened, the time allowed for filing the accounts is the longer of:

- for a private company 10 months (or for a public company 7 months) from the ARD;  
or
- 3 months from the date of the notice (Form 225).

Please be aware of the **definition of a period of months** in connection with filing accounts.

A period of months after a given date ends on the corresponding date in the appropriate month. For example a private company with an ARD of 30 September has until midnight on 30 July of the following year to deliver its accounts, *not 31 July*.

If there is no corresponding date, the last day of the month will apply. For example, a private company with an ARD of 30 April has until midnight on 28 February the following year to deliver its accounts.

## 7. Can the time allowed for delivering accounts be extended?

If a company carries on business or has interests overseas, and the financial year begins before 1 January 2005, a 3-month extension to the normal filing period can be claimed by delivering Form 244 to Companies House. This form must be delivered before the normal filing deadline and this must be done for every year that the company wishes to claim the extension. It does not automatically apply from one year to the next. ([Form 244](#) cannot be used for financial years which begin on or after 1 January 2005 but an extension to the filing period may still be granted in exceptional circumstances - see below)

An application may be made to the Secretary of State for Trade and Industry to extend the time for laying and delivering accounts if there is a special reason for doing so. For example, if there has been an unforeseen event which was outside the control of the company and its auditors. The application must be made in writing, be delivered before the normal filing deadline, and must contain a full explanation of the reasons for the extension and the length of the extension needed.

<b>For companies incorporated in England &amp; Wales write to:</b>	<b>For companies incorporated in Scotland write to:</b>
The Secretary of State for Trade & Industry c/o Companies Admin Section Companies House Crown Way Cardiff CF14 3UZ  DX33050 Cardiff	The Secretary of State for Trade & Industry Companies House 37 Castle Terrace Edinburgh EH1 2EB  DX ED235 Edinburgh 1

## 8. What if the accounts are delivered late?

There is an automatic civil [penalty for late filing](#). The amount depends on how late the accounts arrive and whether the company is private or public. The fixed penalties are as follows:

<b>Length of delay</b>	<b>Public company</b>	<b>Private company</b>
3 months or less	£ 500	£100
3 months one day to 6 months	£1000	£250
6 months one day to 12 months	£2000	£500
More than 12 months	£5000	£1000

Failing to deliver accounts on time is also a criminal offence for which company directors may be prosecuted. Late filing penalties are fully explained in our booklet, '[Late Filing Penalties](#)'.

Please note: if a filing deadline expires on a Sunday or Bank Holiday the law still requires accounts to be filed by that date. So you should ensure that they are posted in time to arrive **before** such a deadline.

## 9. Who can approve and sign accounts?

The accounts must be approved by the company's board of directors and signed before they are sent to Companies House.

- The balance sheet must be signed by a director, with any statements about accounting or filing exemptions appearing *above* the director's signature.
- The directors' report, if one is required, must be signed by a director or the company secretary.
- If an auditors' report, special auditors' report or accountants' report is attached to the accounts, then it must state the names of the auditors or accountants and be signed by them.

You *do not* have to lay the accounts before a general meeting of the company, or have them agreed by the Inland Revenue, before sending them to Companies House.

## 10. Does Companies House give technical advice on accounts?

No. We can give general guidance, but not technical advice on specific accounting issues. Firstly, giving technical advice is not a role that the Government has given us. Secondly, it is not practicable: your accounts are subject to complex legal requirements, and we do not know enough about your company to be confident that we are giving you proper advice.

Consult an accountant if you need this sort of advice.

## 11. What happens to documents sent to Companies House?

The documents and forms you deliver to Companies House are scanned to produce an electronic image. The original documents are then stored, and the electronic image is used as the working document.

When your business contacts view the company record, they see the electronic image reproduced on-line or on microfilm. So it is important not only that the original is legible,



but that it can also produce a clear copy.

The remainder of this chapter lays down a few quality guidelines to follow when preparing accounts and other documents for filing at Companies House.

## **12. What happens if my documents do not meet the guidelines?**

Section 706 of the Act allows Companies House to reject documents that cannot be captured electronically, giving a notice saying why they are unacceptable. An acceptable copy must be delivered within 14 days of the notice (otherwise we treat the original as not having been delivered).

## **13. How should documents be set out?**

Every document delivered to the Registrar must state prominently the registered number of the company, and must comply with any requirements specified by the Registrar relating to the legibility of that document.

Briefly, documents should be on A4 size, plain white paper between 80gsm and 100gsm in weight with a matt finish. Text should be black, clear, legible, and of uniform density.

### **When you prepare a document:**

- use black ink or black type;
- use bold lettering (some elegant thin typefaces and pens give poor quality copies);
- don't send a carbon copy;
- don't use a dot matrix printer;
- remember - photocopies can result in a grey shade that will not scan well;
- use A4 size paper with a good margin; and
- include the company number in the top right-hand corner of the first page.

### *Glossy accounts*

If you are producing colour-printed glossy accounts, please save them for your shareholders and others who will appreciate them. We still need black on white with a matt finish. A typed, unbound version of a printer's proof is ideal, provided it has the necessary signatures.

## **14. Can I find out more about this?**

For further guidance on print requirements contact 029 2038 0575.

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## **CHAPTER 3**

### **Small and medium-sized company exemptions**

## 1. What exemptions are available?

Certain small or medium-sized companies may prepare accounts for their members under the special provisions of sections 246 and 246A of the Companies Act 1985. In addition, they may prepare and deliver abbreviated accounts to the Registrar.

This chapter explains the exemptions available to small and medium-sized companies. Certain small companies with a turnover of less than £1 million (£250,000 for companies that are charities) and assets of less than £1.4 million can claim exemption from audit. This is dealt with in [chapter 4](#).

The period accounts have to cover and the time allowed for sending them to Companies House is covered in [chapter 2](#).

## 2. What is a small or medium-sized company?

Public companies and certain companies in the regulated sectors cannot qualify as small or medium-sized companies. For other companies, the size of the company (and in the case of a parent company the size of the group headed by it) in terms of its turnover, balance sheet total (meaning the total of the fixed and current assets) and average number of employees determines whether it is classed as small or medium-sized.

The exact conditions for qualifying as a small or medium-sized company are given below.

To be a small company, at least two of the following conditions must be met:

- annual turnover must be £2,800,000 or less;
- the balance sheet total must be £1,400,000 or less;
- the average number of employees must be 50 or fewer.

**Please note:** New accounting exemption thresholds apply to financial years ending on or after

30 January 2004.

To be a small company, at least 2 of the following conditions must be met:

- annual turnover must be £5.6 million or less;
- the balance sheet total must be £2.8 million or less;
- the average number of employees must be 50 or fewer.

To be a medium-sized company, at least two of the following conditions must be met:

- annual turnover must be £11,200,000 or less;

- the balance sheet total must be £5,600,000 or less;
- the average number of employees must be 250 or fewer.

**Please note:** New accounting exemption thresholds apply to financial years ending on or after 30 January 2004.

To be a medium-sized company, at least 2 of the following conditions must be met:

- annual turnover must be £22.8 million or less;
- the balance sheet total must be £11.4 million or less;
- the average number of employees must be 250 or fewer.

If the company is a parent company, it cannot qualify as a small or medium-sized company unless the group headed by it is also small or medium-sized. The exact conditions for qualifying as a small or medium-sized group are given at [question 4](#).

Generally, a company qualifies as 'small' or 'medium-sized' in its first financial year, or in any subsequent financial year if it fulfils the conditions in that year and the year before. If the company ceases to be small or medium-sized, the exemption continues for the first year that the company does not fulfil the conditions. And the exemption continues uninterrupted if the company reverts to being small or medium-sized the following year - see the table below.

If you think the company might qualify as small or medium-sized, you should consult a professional accountant before you prepare 'special-provision' accounts. If you abbreviate the accounts, you will also need a special auditor's report for filing with the Registrar, confirming that the company qualifies to produce such accounts. This report is not needed if the company is exempt from audit - see [chapter 4](#) on very small companies.

The following table may help you decide whether you qualify to prepare 'small' or 'medium' accounts.

The table applies to small companies. For medium-sized companies simply substitute 'medium-sized' for 'small'.

Year 1	Year 2	Year 3	Qualified in:
			<i>1st financial year</i>
small			Yes
not small			No
			<i>2nd financial year</i>

small	small		Yes
small	not small		Yes
not small	small		No
			<i>3rd financial year</i>
small	small	not small	Yes
small	not small	small	Yes
not small	small	small	Yes
small	not small	not small	No
not small	small	not small	No
not small	not small	not small	No

### 3. What does a small or medium-sized company have to deliver to the Registrar?

The company can deliver the accounts which were prepared for its members under the special provisions of part VII of the Companies Act 1985, or it can deliver an abbreviated version of these accounts.

Abbreviated accounts of a small company must include:

- The abbreviated balance sheet and notes; and
- a special auditor's report (unless the company is also claiming audit exemption - see chapters 4 and 5).

Abbreviated accounts of a medium-sized company must include:

- the abbreviated profit and loss account;
- the full balance sheet;
- a special auditor's report;
- the directors' report; and
- notes to the accounts.

The special auditor's report should state that in the auditor's opinion the company is entitled to deliver abbreviated accounts and that they have been properly prepared in accordance with section 246(5) or (6) or 246A(3) of the Companies Act 1985, as the case may be.

The balance sheet (and if appropriate, the directors' report) must contain a statement that the accounts are prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small or medium-sized companies, as the case may be.

#### 4. Are there special rules for small and medium-sized groups?

Yes, a parent company need not prepare group accounts or send them to the Registrar if the group is small or medium-sized and none of its member companies is: a public company, a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity, or a person who carries on insurance market activity.

To qualify as small, a group of companies must meet at least two of the following conditions:

- aggregate turnover must be £2,800,000 net (£3,360,000 gross) or less;
- the aggregate balance sheet total must be £1,400,000 net (£1,680,000 gross) or less;
- the aggregate average number of employees must be 50 or fewer.

**Please note:** New accounting exemption thresholds apply to financial years ending on or after 30 January 2004.

To qualify as small, a group must meet at least two of the following conditions:

- aggregate turnover must be £5.6 million net (£6.72 million gross) or less;
- the aggregate balance sheet total must be £2.8 million net (or £3.36 million gross);
- the aggregate average number of employees must be 50 or fewer.

To qualify as medium-sized, a group must satisfy at least two of the following conditions:

- its aggregate turnover must be £11,200,000 net (£13,440,000 gross) or less;
- the aggregate balance sheet total must be £5,600,000 net (£6,720,000 gross) or less;
- the aggregate average number of employees must be 250 or fewer.

**Please note:** New accounting exemption thresholds apply to financial years ending on or after 30 January 2004.

To qualify as medium-sized, a group must meet at least two of the following conditions:

- aggregate turnover must be £22.8 million net (or £27.36 million gross);
- the aggregate balance sheet total must be £11.4 million net (or £13.68 million gross);
- the aggregate average number of employees must be 250 or fewer.

## 5. What if a small or medium-sized company is required to prepare group accounts?

A small parent company which has prepared individual accounts for its members using the special provisions of section 246(2) or (3) of the Companies Act 1985, may choose to prepare group accounts under the special provisions of section 248A. However, a small group cannot file abbreviated accounts at Companies House. Group accounts prepared under section 248A must contain a statement above the signature on the balance sheet, confirming that they are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

If a medium-sized company decides to prepare group accounts, they must be full group accounts.

### Format of accounts

The format of the accounts must follow the relevant Schedules to the Companies Act 1985. The provisions relating to small and medium-sized companies are in Schedules 4, 5, 6, 8 and 8A.

## 6. How long do I have to deliver accounts to Companies House?

The same time applies as for all other accounts. The same penalties are imposed for late filing. See [chapter 2](#).

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## CHAPTER 4

### Very small company audit exemptions

#### 1. What exemption is available?

There is total exemption from audit for certain small companies (including very small charitable companies) if they are eligible and wish to take advantage of it. Some charitable

companies are exempt from audit but must provide an [accountant's report](#) on the accounts (partial exemption). Further details about how to claim exemption are in this chapter.

## 2. Which small companies qualify for audit exemption?

To qualify for total audit exemption, a company must

- qualify as small (see [chapter 3](#))
- have a turnover of not more than £1 million; and
- have a balance sheet total of not more than £1.4 million.

**Please note:** New audit exemption thresholds apply to financial years ending after 30 March 2004.

To qualify for total audit exemption, a company must:

- qualify as small;
- have a turnover of not more than £5.6 million; and
- have a balance sheet total of not more than £2.8 million.

For a charitable company to qualify for total audit exemption it must qualify as small (see [chapter 3](#)), its gross income must not be more than £90,000 and its balance sheet total must not more than £1.4 million (£2.8 million for financial years ended after 30 March 2004).

Charitable companies which qualify as small (see [chapter 3](#)) and have a gross income between £90,000 and £250,000 and a balance sheet total of no more than £1.4 million qualify for partial exemption.

## 3. Are all types of small companies eligible for the exemption?

No. Audited accounts must be delivered to Companies House if the company falls into any of the following categories:

(a) A parent company or subsidiary undertaking (unless dormant for the period during which it was a subsidiary) except where the group:

- qualifies as a small group or would qualify if all the bodies corporate in the group were companies; and
- the turnover for the whole group is not more than £1 million net or £1.2 million gross (for a financial year which ended before 26 July 2000 or if the company is a charity, the combined turnover must be no more than £350,000 net or £420,000 gross); and
- the group's combined balance sheet total is not more than £1.4 million net (£1.68

million gross).

**Please note:** New audit exemption thresholds apply to financial years ending after 30 March 2004.

A parent company or subsidiary undertaking (unless dormant for the period during which it was a subsidiary) cannot qualify except where the group:

- qualifies as a small group or would qualify if all the bodies corporate in the group were companies ; and
- the turnover for the whole group is not more than £5.6 million net (or £6.72 million gross); and
- the group's combined balance sheet total is not more than £2.8 million net (or £3.36 million gross).

(b) A member of a group of companies in which any member is:

- a public company or body corporate which (not being a company) has power under its constitution to offer shares or debentures to the public;
- a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity;
- a person who carries on insurance market activity.

(c) A person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity.

(d) A person who carries on insurance market activity.

(e) An appointed representative within the meaning of s.39 of the Financial Services and Markets Act 2000.

(f) A public limited company unless the company is dormant - see [chapter 5](#).

(g) A special register body or employers association under the Trade Union and Labour Relations (Consolidation) Act 1992.

(h) A company where an audit is required by a member or members holding at least 10% of the nominal value of issued share capital or holding 10% of any class of shares; or - in the case of a company limited by guarantee - 10% of its members in number. The demand for the accounts to be audited should be in the form of written notice to the company, deposited at the registered office at least one month before the end of the financial year in question.



Some flat management companies may have to prepare audited accounts to comply with the terms of their lease. If in doubt, you should seek professional advice.

#### **4. What does an audit-exempt company need to send to Companies House?**

If the company qualifies (see question 2 and 3), unaudited accounts may be delivered to the Registrar in the form of an abbreviated balance sheet and notes. The balance sheet must contain the following statements above the director's signature:

(a) For the year ended . . . (date) the company was entitled to exemption under section 249A(1) of the Companies Act 1985. (In the case of charitable companies which are claiming partial exemption, the reference will be to section 249A(2)).

(b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

(c) The directors acknowledge their responsibility for:

i. ensuring the company keeps accounting records which comply with section 221; and

ii. preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company;

(d) The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.

If the company chooses, it may deliver the un-abbreviated accounts prepared for its members. The same statements must appear on the un-abbreviated balance sheet.

#### **5. My company is a charity claiming partial exemption, what must the accountant's report say?**

The accountant's report must state that:

(a) the accounts of the company for the financial year in question are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985; and

(b) having regard only to, and on the basis of, the information in those accounting records, those accounts have been drawn up in a manner consistent with the provisions of the Act as specified in subsection (6) of section 249C, so far as applicable to the company.

(c) having regard only to, and on the basis of, the information in the accounting records, the company satisfied the requirements of section 249A(4), for the financial year in question, and did not fall within section 249B(1)(a) to (f) at any time within that financial year.

The report must show the name and signature of the reporting accountant.

## **6. Who can be a reporting accountant?**

A reporting accountant is either:

- any member of a body listed below who, under the rules of that body, is entitled to engage in public practice, and who is eligible for appointment as a reporting accountant; or
- any person, (whether or not a member of any such body), who is eligible for appointment as a company auditor under the rules of that body.

The bodies referred to above are the:

- (a) the Institute of Chartered Accountants in England and Wales;
- (b) Institute of Chartered Accountants of Scotland;
- (c) Institute of Chartered Accountants in Ireland;
- (d) Association of Chartered Certified Accountants;
- (e) Association of Authorised Public Accountants;
- (f) Association of Accounting Technicians;
- (g) Association of International Accountants;
- (h) Chartered Institute of Management Accountants.
- (i) Institute of Chartered Secretaries and Administrators. (This new addition applies to financial years ending on or after 30 January 2004).

An individual, body corporate or firm may be appointed as a reporting accountant. A partnership that is not a legal person may be appointed under section 26 of the Companies Act 1989.

The reporting accountant must be independent and meet the conditions set out in section 27 of the Companies Act 1989. This means, for example, that he or she cannot be an officer or employee of the company.

## **7. How long do I have to deliver accounts to Companies House?**

The same time applies as for all other accounts. The same penalties are imposed for late filing. See [chapter 2](#).

## **8. Does an audit exempt company still have to send accounts to its members?**

Yes. In accordance with the Companies Act 1985, members have a right to receive or

demand copies of accounts and the related reports.

### **Possible drawbacks of unaudited accounts**

Banks and credit managers rely on information available from Companies House to assess a company's creditworthiness and currently look for the reassurance of an independent audit. If it qualifies for audit exemption, a company will need to decide whether unaudited accounts are appropriate to its own circumstances.

## **9. Are annual accounts required if a company is not trading?**

All limited companies, whether they trade or not, must deliver accounts to Companies House. However, a limited company may claim exemption from audit as a 'dormant company' if it has not traded during a financial year, and provided it meets certain other criteria (see [chapter 5](#)).

Dormant companies do not need to appoint auditors and can deliver even simpler annual accounts to Companies House. For more information about dormant company accounts, see [chapter 5](#).

## **10. My company's articles of association state that the company must have an auditor but otherwise we would be exempt. What can we do?**

Companies may decide to revise their [articles of association](#) to ensure that these do not stop them taking advantage of the audit exemptions. Companies with articles based on the model articles at Table A of the Companies Act 1985 are unlikely to have such problems. However, the 1948 version of Table A (and other similar earlier provisions) imposes an obligation to appoint auditors. Companies with such articles may wish to take legal advice about possible changes.

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## **CHAPTER 5**

### **Audit exemption for dormant companies**

#### **1. What exemption is available?**

Dormant companies can claim exemption from audit and need only prepare and deliver to Companies House an abbreviated balance sheet and notes. A profit-and-loss account and directors' report do not have to be included in dormant company accounts filed at Companies House but a directors' report must be provided to members.

#### **2. What is a dormant company?**

A company is dormant if it has had no 'significant accounting transactions' during the period.

For accounting periods ending on or after 26 July 2000, when considering if a company is dormant you can disregard the following financial transactions:

- payment for shares taken by subscribers to the memorandum of association;
- fees paid to the Registrar of Companies for a change of company name, the re-registration of a company and filing annual returns; and
- payment made in respect of civil penalties imposed by the Registrar of Companies for delivering accounts to the Registrar after the statutory time allowed for filing.

For accounting periods ending before 26 July 2000, only payment for shares taken by subscribers to the memorandum of association may be disregarded.

A company may not take advantage of the dormant company audit exemption if it is:

- a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity;
- a person who carries on insurance market activity.

If the company has not been dormant since incorporation, but has become dormant, it may take advantage of the exemptions provided that:

- it has been dormant since the end of the previous financial year; and
- it does not have to prepare group accounts for that year; and
- it qualifies as a 'small company' in relation to that year (see [chapter 3](#)), or would have qualified as small but for the fact that it is:
  - a public company; or
  - a member of a group of companies which included: a public company, a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity, or a person who carries on insurance market activity.

### **3. What information must dormant accounts contain?**

Dormant accounts filed at Companies House need not include a profit-and-loss account or directors' report. Model balance sheets are shown at the end of this chapter.

Unaudited dormant accounts are much simpler than those of a trading company but must show:

- an abbreviated balance sheet containing statements above the director's signature to the effect that the company was dormant throughout the accounting period. The full text of the required statements is as question 4 below or, for financial years ending before 26 July 2000, at question 5 below);
- any previous year's figures for comparison - even though there are no items of

- income or expenditure for the current year;
- certain notes to the balance sheet - a full list of items to be covered appears at the end of this chapter.

#### **4. What statements are needed on the balance sheet?**

For financial years ending before 26 July 2000, see question 5.

For accounts in respect of financial years ending on or after 26 July 2000 the following statements must appear above the director's signature:

- (a) For the year ended . . . (date) the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.
- (b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.
- (c) The directors acknowledge their responsibility for:
  - ensuring the company keeps accounting records which comply with section 221; and
  - preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

If the company chooses, it may deliver the un-abbreviated accounts prepared for its members. The same statements must appear on the un-abbreviated balance sheet.

#### **5. What rules apply to dormant accounts in respect of financial years ending before 26 July 2000?**

For accounts in respect of financial years ending before 26 July 2000, a dormant company is required to pass a special resolution to exempt itself from the obligation to appoint auditors. The resolution can be passed (either at a meeting of the company or by written resolution) at any time after copies of the accounts for a financial year ending before 26 July 2000 had been sent out to shareholders. For more information on resolutions, see our booklet, ['Resolutions'](#).

Some examples of how to word the resolution are set out at the end of this chapter. Alternatively, you may complete [Form DEB 8](#), (or [Acc/6](#) for companies registered in Scotland). These forms are available from Companies House. A copy of the resolution must be sent to Companies House within 15 days after the date it was passed.

The following statement must appear above the director's signature on a dormant company balance sheet dated before 26 July 2000:

"The company was dormant throughout the financial year".

## 6. Can I obtain a standard form for dormant accounts from Companies House?

Yes, although you do not have to use it. [Form DCA](#), available from Companies House, is for dormant companies *that have not traded since incorporation*. This form is unsuitable for companies that became dormant after trading. However, model balance sheets and notes for all types of dormant companies are set out at the end of this chapter.

## 7. How long do I have to deliver dormant accounts to Companies House?

The same time applies as for all other accounts. The same penalties are imposed for late filing. See [chapter 2](#).

## 8. What happens if my company starts trading again?

Any company will cease to be exempt from audit as a dormant company if it:

- begins commercial or trading activities during the financial period; or
- would no longer qualify for some other reason.

If either of these happened, full accounts would be required for the financial year in which the company ceased to be exempt, and the directors might need to [appoint auditors](#) for the company. It may be that the company would qualify for exemptions as a medium-sized or small company. More information about company audit requirements and audit exemption for small companies is covered in the chapters [3](#) and [4](#) of this booklet.

### Question 5

**Model Special Resolution** exempting a dormant company from the need to appoint auditors in respect of accounts for financial years ending before 26 July 2000.

#### DORMANT COMPANY RESOLUTION

Company No \_\_\_\_\_

Special Resolution of

\_\_\_\_\_ Limited

At a general meeting of the above company held on..... the following resolution was passed.

(Either)

The company, having been dormant since formation, resolves to make itself exempt from the provisions of Part VII of the Companies Act 1985 relating to the audit of accounts and from the obligation to appoint auditors.

(Or)

The accounts of the company for the financial year ending ..... having been sent out in accordance with Section 238 of the Companies Act 1985 and the company, having been dormant throughout that year, resolves to make itself exempt from the provisions of Part VII of the Companies Act 1985 relating to the audit of accounts and from the obligation to appoint auditors.

SIGNED \_\_\_\_\_  
Director/Secretary of the company

DATE \_\_\_\_\_

### Question 6

**Model balance sheets** to be delivered to the Registrar of Companies by dormant companies

The formats on the following pages provide a guide to the information you need to include. These formats are designed to reflect all possible assets and liabilities that a company may have but you only need to include a particular heading if there is an amount other than nil to be shown.

These model balance sheets are for illustration only. They should not be photocopied and filled in.

If the company has traded in a previous financial year, bear in mind that your previous year's balance sheet will show the company's financial position as it was then. If there have been no accounting transactions since, you could just be carrying forward the figures from last year.

There are two formats - marked A and B - either of which may be followed. The content of the two formats is identical; they simply present the balance sheet headings in a different order.

The balance sheet must balance:

- In format A, net assets must equate to the aggregate of capital and reserves.
- In format B, assets must equate to liabilities (including capital and reserves as balancing items).

Each entry must be an amount in figures (not words) or '0.00'. Companies House will not accept any document which shows 'Nil' where a figure should appear.

Each column of figures must be headed with the date on which the current and previous financial year ended.

For both formats, the matters to be included in the notes to the balance sheet, if applicable, can be found in [Chapter 5, question 8](#).

When you are preparing your accounts, please follow the guidelines in [question 13 of chapter 2](#).

The statements to confirm that the company was dormant, which must appear on the balance sheet, depend on the date of the balance sheet:

- For balance sheets dated before 26 July 2000, the statement above the director's signature must read "The company was dormant throughout the financial year". A special resolution not to appoint auditors must also be filed at Companies House.
- For balance sheets dated on or after 26 July 2000, the statements above the director's signature must read:

(a) For the year ended . . . (date) the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.

(b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

(c) The directors acknowledge their responsibility for:

- ensuring the company keeps accounting records which comply with section 221; and
- preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company;

There is no need to pass a special resolution not to appoint auditors in relation to accounts for financial years ending on or after 26 July 2000. "

## **DORMANT COMPANY BALANCE SHEET FORMAT A**

COMPANY NO. ....

COMPANY NAME .....



BALANCE SHEET AS AT ..../..../.....

	CURRENT YEAR	PREVIOUS YEAR
A CALLED UP SHARE CAPITAL NOT PAID	XX	XX
B FIXED ASSETS		
I. Intangible assets	XX	XX
II. Tangible assets	XX	XX
III. Investments	XX	XX
	XXX	XXX
C CURRENT ASSETS		
I. Stocks	XX	XX
II. Debtors	XX	XX
III. Investments	XX	XX
IV. Cash at bank & in hand	XX	XX
	XXX	XXX
D PREPAYMENTS AND ACCRUED INCOME	XX	XX
E CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(XX)	(XX)
F NET CURRENT ASSETS/ LIABILITIES	XXX	XXX
G TOTAL ASSETS LESS CURRENT LIABILITIES	XXX	XXX
H CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(XX)	(XX)
I PROVISION FOR LIABILITIES AND CHARGES	(XX)	(XX)
J ACCRUALS AND DEFERRED INCOME	(XX)	(XX)
	(XXX)	(XXX)
	XXX	XXX
K CAPITAL AND RESERVES		
I. Called up share capital	XX	XX
II. Share premium account	XX	XX
III. Revaluation reserve	XX	XX
IV. Other reserves	XX	XX

V. Profit and loss account	XX	XX
	XXX	XXX

(Insert relevant statement(s) - see previous page)

Approved by the board of directors on.....(date)

and

signed on their behalf by.....(DIRECTOR)

### DORMANT COMPANY BALANCE SHEET FORMAT B

COMPANY NO: .....

COMPANY NAME: .....

BALANCE SHEET AS AT .././....

	CURRENT YEAR	PREVIOUS YEAR
<b>ASSETS</b>		
A CALLED UP SHARE CAPITAL NOT PAID	XX	XX
<b>B FIXED ASSETS</b>		
I. Intangible assets	XX	XX
II. Tangible assets	XX	XX
III. Investments	XX	XX
	XXX	XXX
<b>C CURRENT ASSETS</b>		
I. Stocks	XX	XX
II. Debtors	XX	XX
III. Investments	XX	XX
IV. Cash at bank & in hand	XX	XX

	XXX	XXX
<b>LIABILITIES</b>		
<b>A CAPITAL AND RESERVES</b>		
I. Called up share capital	XX	XX
II. Share Premium Account	XX	XX
III. Revaluation reserve	XX	XX
IV. Other reserves	XX	XX
V. Profit and loss account	XX	XX
	XXX	XXX
<b>B PROVISION FOR LIABILITIES AND CHARGES</b>	XX	XX
<b>C CREDITORS</b>	XX	XX
<b>D ACCRUALS AND DEFERRED INCOME</b>	XX	XX
	XXX	XXX

(Insert relevant statement(s) - see previous page)

Approved by the board of directors on.....(date)

and

signed on their behalf by.....(Director)

**Notes to the dormant company balance sheet**

The following must be given as notes to the balance sheet:

- accounting policies, including those relating to depreciation and diminution in value of assets;
- authorised share capital;
- if shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted;
- information relating to any redeemable shares allotted;
- information relating to any shares which have been allotted during the financial year;
- information about fixed assets;
- details of indebtedness;
- basis on which sums originally in a foreign currency have been translated into sterling;
- in respect to every item above (other than fixed assets) the corresponding amounts

for the previous year;

- details of any subsidiary undertakings and of shares held in them, and why group accounts are not required;
- where the company has acted as an agent for any person, the fact that it has so acted (applies to accounts in respect of financial years ending on or after 26 July 2000).

In addition, the following information may have to be given about the subsidiary undertakings:

- details of any undertakings in which the company has a 'significant holding', for example, the name and address of the business;
- the name of the company's ultimate parent company, and (if known) its country of incorporation;
- the names of certain intermediate parent companies, and their countries of incorporation or (if not incorporated) the addresses of their principal places of business;
- details of certain loans, guarantees and other such dealings made by the company in favour of directors and others.

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## **CHAPTER 6**

### **Partnership accounts**

The Partnerships and Unlimited Companies (Accounts) Regulations 1993 require companies which are members of 'qualifying partnerships' to prepare and attach accounts of the partnership to their own accounts.

#### **1. What is a qualifying partnership?**

A qualifying partnership is a partnership that is governed by the laws of any part of Great Britain if each of the members is:

- (i) a limited company; or
- (ii) an unlimited company or a Scottish firm, each of whose members is a limited company.

#### **Note**

(a) Any reference to a qualifying partnership in relation to a limited partnership is a reference to the general partners only.

(b) Any reference to a limited company, an unlimited company, a Scottish firm or another partnership includes any comparable undertaking formed under the laws of another state.

The partnership regulations will apply to most **limited partnerships** that have limited companies as their general partners and are registered under the Limited Partnerships Act 1907, as these partnerships must have their principal place of business in Great Britain on registration.

## **2. What accounts must the partnership prepare?**

The partnership must prepare and have audited accounts as if it were a company formed under the Companies Act 1985 so as to conform to Part VII of that Act. The Act has been amended to take account of the circumstances of qualifying partnerships. However, the partnership may take advantage of regulation 7, which permits the accounts to be dealt with on a consolidated basis as group accounts prepared by either:

- a member of the partnership which is established under the law of a member state of the European Economic Area (EEA); or
- a parent undertaking of such a member.

In these cases, the accounts must be prepared on a consolidated basis under the law of the member state in accordance with the Seventh Company Law Directive. A note must be included to say that the accounts have been prepared to take advantage of this regulation.

## **3. For what period must the partnership accounts be prepared?**

The accounts may cover any period up to 18 months which may be specified in the partnership agreement. If a period is not specified in the agreement, the partnership accounts must be drawn up for each 12-month period ending on 31 March in each year.

## **4. When must the accounts be prepared?**

The partnership accounts must be prepared within a period of 10 months after the end of the financial year.

**5. When must the accounts be delivered or published?** When partnership accounts are prepared, they must be attached to the next accounts of each partner that is a limited company and delivered to Companies House. A limited company that is a member of a qualifying partnership must supply to any person on request:

- the name of each partner required to deliver copies of the partnership accounts to the Registrar; and
- the name of each partner incorporated in another EEA member state who is required to publish the partnership accounts in that state.

When a qualifying partnership has its head office in Great Britain and each of the partners is:

- an undertaking comparable to a limited company incorporated outside the United Kingdom or other EEA state; or
- an undertaking comparable to an unlimited company or partnership formed under the law of such a country with each of its members a limited or comparable undertaking; then

the partnership must:

(a) make the latest accounts of the partnership available for inspection by any person, without charge, during business hours at the head office of the partnership, together with a certified translation, if the original is not in English; and

each member of the partnership must:

(b) supply to any person on request a copy of the latest accounts of the partnership (together with a translation if the original is not in English). A fee may be charged to cover the administrative cost of supplying the copy, but no more.

## **6. Are there any exemptions from the publication rules?**

The members of a qualifying partnership may be exempted from the above publication rules if the partnership accounts are consolidated as group accounts prepared by:

- a member of the partnership formed under the law of a member state; or
- a parent undertaking of such a member so established.

In this case the consolidated accounts must be prepared and audited under the law of the member state, and the notes to the accounts must show that advantage has been taken of this regulation. If this exemption is used, any member of the partnership must disclose on request the name of at least one member or parent undertaking in whose group accounts the partnership accounts are consolidated.

## **7. Are there any penalties for non-compliance?**

Yes. Every partner in a qualifying partnership or every director of a company that is a partner may be prosecuted and fined up to £5,000.

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## **CHAPTER 7**

### **Further information**

#### **1. Where do I get forms and guidance booklets?**

This is one of a series of Companies House booklets which provide a simple guide to the

Companies Act.

[Statutory forms](#) and [guidance booklets](#) are available, free of charge from Companies House. The quickest way to get them is through this website or by telephoning 0870 3333636.

If you prefer you can write to our stationery sections in [Cardiff](#) or [Edinburgh](#).

Forms can also be obtained from legal stationers, accountants, solicitors and company formation agents - addresses in business phone books.

## 2. How do I send information to the Registrar?

You may deliver documents to the Registrar by hand (personally or by courier), including outside office hours, bank holidays and weekends to Cardiff, London and Edinburgh.

You may also send documents by post or by the Hays Document Exchange service (DX). If you send documents, please address them to:

**For companies  
incorporated in  
England & Wales:**

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff CF14 3UZ

DX33050 Cardiff

**For companies  
incorporated in  
Scotland:**

The Registrar of Companies  
Companies House  
37 Castle Terrace  
Edinburgh EH1 2EB

DX ED235 Edinburgh 1

We will only acknowledge receipt of documents at Companies House if you provide a stamped addressed envelope.

**Please note: Companies House does not accept accounts or any other statutory documents by fax.**

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