

# Accounting reference date

All companies other than dormant companies, whether trading or not, must prepare accounts and file a copy with the Registrar of Companies. The accounts are prepared in respect of each accounting period. Accounting periods begin at the conclusion of the previous period, or the date of incorporation, and end on the accounting reference date. Companies may choose an accounting reference date. If no alternative date is chosen, the company's accounting reference date will default to the last day of the month of its incorporation. s.394

A company may change its accounting reference date at any time, provided the filing date for the existing period has not expired. An accounting reference period may not exceed 18 months and, except in the circumstances set out below, a company may not extend its accounting period twice in any five-year period. s.391(4)

A company may only extend its accounting period more than once in any five-year period if it is changing to fall in line with the accounting reference date of a holding or subsidiary company, or if the company is in administration. s.392

Provided the filing date for the period being shortened has not expired, a company may shorten its current or immediately preceding accounting period as often as it wishes and there is no minimum period. Where the accounting period is shortened, the new filing date will be nine months (private company) or six months (public company) from the end of the new accounting period or, if later, three months after the notice to shorten. s.392(3)

## Checklist

- ▶ The filing period for the financial year being changed must not have expired. s.442(4)
- ▶ The filing period for the proposed new period must not have expired. s.392(4)
- ▶ The new period must not be longer than 18 months, unless an administration order is in force. s.392(5)
- ▶ If extending the period, the company must not previously have extended its accounting year-end in the previous five years, or if it has, can the change be justified? s.392(5)
- ▶ If the new year-end has already passed, can accounts to that date be prepared (e.g. stocktakes, asset valuation)? s.392(3)

- ▶ Directors' resolution is required either at a meeting or by written resolution.
- ▶ File form AA01.

s.392(1)

## Procedure

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- ▶ Convene a directors' meeting to authorise the change in accounting year.
- ▶ Form AA01 must be filed at Companies House.

## Filing requirement

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- ▶ Form AA01.

## Notes

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- ▶ The company's first accounting period must be longer than six months, but not longer than 18 months, starting from the date of incorporation. The first accounting period begins with the date of incorporation even if the company does not immediately commence trading. s.391(5)
- ▶ The second and subsequent accounting periods may be as short as the directors wish, but may not exceed 18 months. s.390(2)
- ▶ A company can extend its accounting year only once in any five-year period, unless the accounting period is being changed to coincide with that of its holding company or any subsidiary. The accounting period can be shortened as many times as required. s.392(3)
- ▶ The length of any accounting period, even one that has ended, can be altered, provided that the relevant form is received by the Registrar before the end of the period in which the accounts for that current or proposed period must be filed. The change in year-end will become effective once the Registrar of Companies has received and accepted the appropriate form. s.392(1)
- ▶ Directors wishing to extend the accounting period must first confirm that the accounting year-end has not been extended in the previous five years.
- ▶ The date by which accounts must be submitted to the Registrar may be lengthened when the accounting period is for a period of less than 12 months, as the filing period is the usual period after the accounting reference date or three months after the date of receipt of the form AA01, if longer (see page 12).
- ▶ Normally a private company has nine months from its accounting reference date to file its accounts; for a public company the period is six months. s.442(4)  
s.442

- ▶ Companies can make their accounts up to any date within seven days of the actual accounting reference date. This is to enable companies to undertake a stocktake outside normal business hours without needing to change their year-end. **s.390(2)(b)**
- ▶ Companies may apply for an extension to the filing deadline provided this is received by the Registrar prior to the filing deadline; however, there need to be exceptional circumstances in order to be granted an extension. **s.442(5)**
- ▶ In addition to notifying the Registrar of Companies, the directors may also consider notifying the following: bankers, auditors, accountants, HM Revenue & Customs, subsidiaries, joint venture partners, London Stock Exchange (if listed).
- ▶ The change in accounting reference date is only effective once the form AA01 is accepted and registered by Companies House.

## More information

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- ▶ *Company Secretary's Handbook*, Chapter 11
- ▶ Companies House Guidance – Filing accounts

# Accounts – approval

Accounts, whether audited or not, must be prepared and approved by the board of directors and issued to the company's members, any debenture holders and anyone else entitled to receive notice of general meetings.

**ss.394, 414, 423**

Although members of a public company consider and receive the accounts in general meetings and can vote on whether or not to accept them, they do not, strictly speaking, approve them. If the members reject them, the directors are not obliged to amend the accounts unless they contain a factual error. However, non-acceptance of accounts will be regarded as a vote of no confidence in the board.

**s. 437**

## Checklist

- ▶ Convene a directors' meeting for directors to approve the accounts. Ensure valid quorum present. **s. 414(1)**
- ▶ The strategic report and directors' report must be signed by a director or by the company secretary, as required. **ss. 414D(1), 419(1)**  
**s. 433**
- ▶ Quoted companies must prepare a directors' remuneration report which must be signed by a director or the company secretary (see page 7). Companies defined as large under the Act must prepare a separate, clearly identifiable statement describing how the directors have had regard to the matters set out in CA2006 s. 172(1)(a) to (f) when performing their duty under s. 172 [s.172(1)]. **ss. 420, 422**
- ▶ The balance sheet must be signed by at least one director. **s. 414(2)**
- ▶ The name of the person(s) signing the directors' report, strategic report, remuneration report (if any) and balance sheet must be stated. **s. 433**
- ▶ If audited, the audit report must be signed by the auditor, if an individual, or by the senior statutory auditor, in the case of a firm, and the person's name and the date of approval shown. **ss. 503–505**
- ▶ The name of the senior statutory auditor may be omitted if there are concerns over safety. **s. 506**
- ▶ Small companies must issue to their members the accounts in the same format as those placed on the public record. In the case of a private company it must send out its accounts to members before the end of **ss. 423, 424, 444**

the period allowed for filing the accounts (usually nine months (see page 12)). In the case of a public company, the accounts must be sent out at least 21 days before the date of the meeting to receive them.

- ▶ Full or abridged accounts must be filed at Companies House by the due date (see page 12).

ss. 441, 442

## Procedure

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- ▶ Convene a directors' meeting to consider the accounts and to convene a general meeting. Ensure valid quorum present.
- ▶ Final draft of the accounts to be approved by the directors.
- ▶ The directors' report, strategic report and the balance sheet must be signed. The directors' report and strategic report can be signed by the company secretary or a director; however, the balance sheet must be signed by at least one director. The published accounts must include the names of the director and/or company secretary who have signed the balance sheet and directors' report.
- ▶ A quoted company must prepare a directors' remuneration report, which must be signed by a director or the company secretary.
- ▶ The same director can sign the directors' report, strategic report, directors' remuneration report (if any) and the balance sheet.
- ▶ If the accounts are audited, signed copies must be returned to the auditors so that the audit report can be signed.
- ▶ Once signed, a copy of the accounts must be filed with the Registrar of Companies within the appropriate period (see below).
- ▶ Copies of the accounts must be sent to the members and public companies must convene a general meeting of the members, for the shareholders to consider the accounts, within six months. Private companies are exempted from the obligation to convene a members' meeting unless required to do so by their articles of association. s. 442
- ▶ Companies, if authorised to do so by individual members, may issue the strategic report and supplemental material to the members in place of the full accounts, provided that the full accounts are made available on request. This replaces the option to issue a summary financial statement which has been withdrawn. s. 426
- ▶ Certain companies may file abridged accounts with the Registrar of Companies (see pages 17 and 21).
- ▶ Full accounts will be required for submission to HM Revenue & Customs.
- ▶ Additional copies will normally be sent to the company's bankers.
- ▶ The usual period for delivery of accounts to the Registrar is nine months from the end of the accounting period for a private company, and six months for a public company. However, if the accounts are s.441, 442

the first accounts and are for a period of more than 12 months, the accounts must be submitted no later than nine months (six months for a public company) from the first anniversary of incorporation, or three months from the end of the period – whichever expires later.

s. 442(3)

- ▶ Where the accounting period has been shortened, the period for delivery of the accounts is nine months for private companies and six months for public companies from the end of the period, or three months from the date of notice – whichever expires later.
- ▶ The Registrar of Companies imposes penalties for late submission of accounts. When setting the accounting reference date, care must be taken to ensure that the accounts can be prepared in time to submit them to the Registrar of Companies (see page 12).

s. 442(4)

s. 453

## Filing requirement

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- ▶ Full or abridged copy of the accounts within 21 months of the start of the accounting period for a private company (usually nine months after the year-end) and within 18 months of the start of the accounting period for a public company (usually six months after the year-end).

## Notes

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- ▶ Accounts must have original signatures on the directors' report, strategic report, directors' remuneration report, audit report (if audited) and balance sheet.
- ▶ The name of the person signing must be shown.
- ▶ The company registration number must be shown on the first page.
- ▶ As the Registrar will unbind and discard any folder, an unbound copy of the accounts should be filed.
- ▶ The accounts must be legible and be capable of being digitally scanned. Accordingly, it is best to file typed accounts printed on plain paper. Accounts printed on coloured or glossy paper or with graphics are likely to be rejected as illegible.
- ▶ As the accounts are not subject to member approval, it is not necessary to wait until after the general meeting at which the accounts are received by members before filing a copy of the accounts with the Registrar of Companies. The s. 172 statement applies to financial years beginning on or after 1 January 2019.

s. 414(1)

## More information

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- ▶ *Company Secretary's Handbook*, Chapter 10
- ▶ Companies House Guidance – Filing accounts

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# Accounts – directors’ remuneration report

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Directors of listed companies are required to include a remuneration report in the annual report and accounts. The report must also comply with the Listing Rules and the UK Corporate Governance Code. Where the provisions of the UK Corporate Governance Code are not complied with, a statement of those provisions not complied with and the explanation for such departure must be included.

s. 420(1)

The requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 came into force on 1 October 2013 and, in particular, replaced schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. References here to schedule 8 are to the 2008 regulations as amended by the 2013 regulations and as further amended by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

In addition to these regulations, provisions of the Enterprise and Regulatory Reform Act 2013 ss. 79–82 made changes to the Companies Act 2006 regarding the payments to directors of quoted companies, and these will also need to be considered.

The Directors’ Remuneration Report now comprises two parts: an annual Statement and Report on Remuneration (the Implementation Report) and the Directors’ Remuneration Policy (the Remuneration Policy).

## Checklist

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### *Annual statement*

- ▶ Annual statement by the chairperson of the committee of any major decisions or substantial changes on directors’ remuneration during the year.

Para. 3 sch. 8,  
SI 2008/410  
(as amended)

### *Remuneration*

- ▶ Single total figure of remuneration for each director, broken down into:
  - ▷ salary and fees;

Para. 4–12 sch. 8,  
SI 2008/410  
(as amended)

- ▷ all taxable benefits;
- ▷ money or other assets received/receivable for more than one financial year; **Para. 13 sch. 8, SI 2008/410 (as amended)**
- ▷ pension-related benefits; and **Para. 14 sch. 8, SI 2008/410 (as amended)**
- ▷ total (aggregate of the above). **Para. 15 sch. 8, SI 2008/410 (as amended)**
- ▶ Total pension entitlements. **Para. 16 sch. 8, SI 2008/410 (as amended)**
- ▶ Scheme interests awarded during the financial year. **Para. 17 sch. 8, SI 2008/410 (as amended)**
- ▶ Payments to past directors. **Para. 18 sch. 8, SI 2008/410 (as amended)**
- ▶ Payments for loss of office. **Para. 19 sch. 8, SI 2008/410 (as amended)**
- ▶ Statement of directors' shareholding and share interests. **Para. 20 sch. 8, SI 2008/410 (as amended)**
- ▶ Performance graph and table. **Para. 21 sch. 8, SI 2008/410 (as amended)**
- ▶ Percentage change in remuneration of CEO. **Para. 22 sch. 8, SI 2008/410 (as amended)**
- ▶ Relative importance of spend on pay. **Para. 23 sch. 8, SI 2008/410 (as amended)**
- ▶ Statement of implementation of remuneration policy in the following financial year.
- ▶ Consideration by the directors of matters relating to directors' remuneration.
- ▶ Statement of voting at general meeting.
- ▶ Details of the unexpired term of any service contract of a director proposed for election or re-election at the AGM, and if any director does not have a directors' service contract, a statement to that effect.

## Procedure

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- ▶ The contents of the remuneration report must be approved by the board at a board meeting. **s. 422**
- ▶ A resolution to approve the remuneration report (advisory, not binding) must be put to shareholders at the same meeting at which the accounts are received. **s. 439**

## More information

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- ▶ *Company Secretary's Handbook*, Chapter 10
- ▶ FCA Listing Rules



# Accounts – exemption from audit

Small private companies and dormant public companies qualify for exemption from audit if they satisfy certain criteria. These companies do not need to apply for the exemption; they are automatically exempt if they qualify.

**ss.477,480,482**

For accounting years beginning on or after 1 January 2016, qualifying subsidiary companies can claim exemption from audit. Subsidiary companies that are public (unless they are dormant), regulated under FSMA and members of ineligible groups cannot take advantage of the new exemption.

**s.476**

Shareholders holding between them at least 10% of the company's issued share capital, or 10% of the members in the case of a company without share capital, may give notice to the company requiring that the accounts be audited, provided that the notice is given no later than one month prior to the end of the financial year.

**s.477**

## Checklist

- ▶ Total exemption is available to companies:
  - ▷ that qualify as a small company in relation to that year (see page 21) by meeting any two of the following:
    - whose turnover does not exceed £10.2 million in that year; or
    - whose balance sheet total for that year does not exceed £5.1 million; or
    - whose average number of employees is not more than 50.
- ▶ A company is not entitled to exemption from audit if at any time during the financial year:
  - ▷ it was a public company, unless it was dormant; or
  - ▷ it was a banking or insurance company, e-money issuer, a MiFID investment firm, a UCITS management company or carried on insurance market activities; or
  - ▷ it was a special register body or an employers' association as defined in the Trade Union and Labour Relations (Consolidation) Act 1992 or the Industrial Relations (Northern Ireland) Order 1992.

**s.477,479,480**

**s.478,479B,481**

- ▶ A company that is a parent or subsidiary undertaking at any time during the financial year is not entitled to exemption from audit unless: **s.479 (A)**
  - ▷ the group qualifies as small (see page 21) and was not at any time during that year an ineligible group (see below);
  - ▷ turnover of the whole group does not exceed £10.2 million net or £12.2 million gross; and
  - ▷ the group's continued balance sheet total does not exceed £5.1 million net or £6.1 million gross.
- ▶ A company that is a dormant subsidiary throughout the period is not excluded from qualifying as small under s. 479(2). **s.479(3)**
- ▶ A group is ineligible if any member of the group is: **s.384**
  - ▷ a traded company;
  - ▷ a corporate body whose shares are admitted to trading on a regulated market in an EES State;
  - ▷ a person authorised under FSMA2000 to carry on a regulated activity;
  - ▷ a small company that is an authorised insurance company, banking company, e-money issuer, MiFID investment firm or a UCITS management company; or
  - ▷ a person who carries on insurance market activity.

## Procedure

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- ▶ There is no procedure; exemption is automatic if the criteria are met.
- ▶ To qualify for the subsidiary company exemption, the following must be filed prior to the expiry of the period allowed for filing accounts. In practice these are usually submitted at the same time as the subsidiary's accounts are filed at Companies House:
  - ▷ Written notice that all members agree to the exemption.
  - ▷ Form AA06 – statement from parent undertaking that it guarantees the subsidiary. **s.479C**
  - ▷ Copy of parent undertaking's consolidated accounts, including a copy of the auditor's report and annual report on these accounts.

## Filing requirement

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- ▶ Copy of the accounts within the appropriate timescale, usually six months for a public company or nine months for a private company (see page 12). **s.442**
- ▶ Copies of the accounts are still required to be circulated to members within the appropriate timescale: six months for a public company and nine months for a private company. **s.423**

### For subsidiary exemption

- ▶ Written notice that all members agree to the exemption.
- ▶ Form AA06 – statement from parent undertaking that it guarantees the subsidiary.
- ▶ Copy of parent undertaking's consolidated accounts, including a copy of the auditor's report and annual report on these accounts.

### Notes

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- ▶ A company that qualifies for exemption from audit is also exempt from the obligation to appoint auditors.

ss. 475, 485

### More information

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- ▶ *Company Secretary's Handbook*, Chapter 10
- ▶ Companies House Guidance – Filing accounts