

# COMPANIES ACT 2006

ss 386 – 389<sup>1</sup>

## CHAPTER 2 ACCOUNTING RECORDS

### 386 Duty to keep accounting records

- (1) Every company must keep adequate accounting records.
- (2) Adequate accounting records means records that are sufficient—
  - (a) to show and explain the company's transactions,
  - (b) to disclose with reasonable accuracy, at any time, the financial position of the company at that time, and
  - (c) to enable the directors to ensure that any accounts required to be prepared comply with the requirements of this Act (and, where applicable, of Article 4 of the IAS Regulation).
- (3) Accounting records must, in particular, contain—
  - (a) entries from day to day of all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place, and
  - (b) a record of the assets and liabilities of the company.
- (4) If the company's business involves dealing in goods, the accounting records must contain—
  - (a) statements of stock held by the company at the end of each financial year of the company,
  - (b) all statements of stocktakings from which any statement of stock as is mentioned in paragraph (a) has been or is to be prepared, and
  - (c) except in the case of goods sold by way of ordinary retail trade, statements of all goods sold and purchased, showing the goods and the buyers and sellers in sufficient detail to enable all these to be identified.
- (5) A parent company that has a subsidiary undertaking in relation to which the above requirements do not apply must take reasonable steps to secure that the undertaking keeps such accounting records as to enable the directors of the parent company to ensure that any accounts required to be prepared under this Part comply with the requirements of this Act (and, where applicable, of Article 4 of the IAS Regulation).

### 387 Duty to keep accounting records: offence

- (1) If a company fails to comply with any provision of section 386 (duty to keep accounting records), an offence is committed by every officer of the company who is in default.
- (2) It is a defence for a person charged with such an offence to show that he acted honestly and that in the circumstances in which the company's business was carried on the default was excusable.
- (3) A person guilty of an offence under this section is liable—
  - (a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);
  - (b) on summary conviction—
    - (i) in England and Wales, to imprisonment for a term not exceeding twelve months or to a fine not exceeding the statutory maximum (or both);
    - (ii) in Scotland or Northern Ireland, to imprisonment for a term not exceeding six months, or to a fine not exceeding the statutory maximum (or both).

### 388 Where and for how long records to be kept

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<sup>1</sup> Please note that this is the original statutory text as it was at Royal Assent. For updates and consolidations of updates, please refer to a legislative updating service such as Westlaw or LexisNexis.

- (1) A company's accounting records—
- (a) must be kept at its registered office or such other place as the directors think fit, and
  - (b) must at all times be open to inspection by the company's officers.
- (2) If accounting records are kept at a place outside the United Kingdom, accounts and returns with respect to the business dealt with in the accounting records so kept must be sent to, and kept at, a place in the United Kingdom, and must at all times be open to such inspection.
- (3) The accounts and returns to be sent to the United Kingdom must be such as to—
- (a) disclose with reasonable accuracy the financial position of the business in question at intervals of not more than six months, and
  - (b) enable the directors to ensure that the accounts required to be prepared under this Part comply with the requirements of this Act (and, where applicable, of Article 4 of the IAS Regulation).
- (4) Accounting records that a company is required by section 386 to keep must be preserved by it—
- (a) in the case of a private company, for three years from the date on which they are made;
  - (b) in the case of a public company, for six years from the date on which they are made.
- (5) Subsection (4) is subject to any provision contained in rules made under section 411 of the Insolvency Act 1986 (c. 45) (company insolvency rules) or Article 359 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)).

### **389 Where and for how long records to be kept: offences**

- (1) If a company fails to comply with any provision of subsections (1) to (3) of section 388 (requirements as to keeping of accounting records), an offence is committed by every officer of the company who is in default.
- (2) It is a defence for a person charged with such an offence to show that he acted honestly and that in the circumstances in which the company's business was carried on the default was excusable.
- (3) An officer of a company commits an offence if he—
- (a) fails to take all reasonable steps for securing compliance by the company with subsection (4) of that section (period for which records to be preserved), or
  - (b) intentionally causes any default by the company under that subsection.
- (4) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);
  - (b) on summary conviction—
    - (i) in England and Wales, to imprisonment for a term not exceeding twelve months or to a fine not exceeding the statutory maximum (or both);
    - (ii) in Scotland or Northern Ireland, to imprisonment for a term not exceeding six months, or to a fine not exceeding the statutory maximum (or both).