

COMPANIES ACT 2006

ss 393, 394, 395, 396, 397, 414¹

CHAPTER 4 ANNUAL ACCOUNTS

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).

394 Duty to prepare individual accounts

The directors of every company must prepare accounts for the company for each of its financial years. Those accounts are referred to as the company's "individual accounts".

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.

(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,
- (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.

(5) If, having changed to preparing Companies Act individual accounts following a relevant change of circumstance, 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.

¹ 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.

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

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.
- (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.