Preparing and Submitting Company Accounts to Companies House

Business Information Factsheet
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Here for Business

Introduction

All businesses must keep accounting records for tax purposes, and a business that operates as a limited company must also submit a set of statutory accounts to Companies House every year. An accountant usually carries out this work, but a company's directors are ultimately responsible for ensuring that it happens, so company directors should be aware of what the law requires them to do.

This factsheet explains when accounts must be submitted to Companies House, what information most companies are required to prepare and submit, and the exemptions that allow a company to prepare and submit less detailed information. It also explains the penalties for late filing of accounts.

A company's accounting requirements All limited companies, regardless of their size and whether they are trading or not, must keep adequate accounting records and prepare annual accounts that report on their trading activity during the year. The accounting records must show all money received and paid out by the company as well as all of its assets and liabilities. If the company deals in goods, the accounts must provide additional information, including a statement of stock and details of stock takings.

To achieve this, most companies use accounting software to record their financial transactions and must keep copies of all bank statements, sales invoices, purchase invoices, payroll records and VAT returns. Generally, the accounts that companies are required to prepare must include:

- A profit and loss account.
- A balance sheet.
- A signed auditor's or accountant's report (unless the company qualifies for an audit exemption).
- A directors' report.
- Explanatory notes to the accounts.

Financial accounting period

The period reported on in a company's accounts is known as the financial year. A more precise term for the financial year is the accounting reference period (or accounting period), with the last day of each period being known as the accounting reference date. The first accounting period starts on the day that the company is incorporated, and by default the first reference date is the anniversary of the last day in the month in which the company was incorporated.

For example, if the company was incorporated on 15 September 2022, its reference date would automatically be set at 30 September. The first accounts submitted would cover a period from15 September 2022 to 30 September 2023 and the second accounting period would begin on 1October 2023 and end on 30 Sept 2024.

Although the reference date is set when the company is incorporated, it can be changed by applying to Companies House. However, the accounting period cannot be extended more than once in five years and the period that the accounts cover cannot be extended to more than 18months.

Small company audit exemptions

Accounts submitted by larger companies must have been scrutinised by a qualified auditor. The auditor's task is to make an independent report stating whether the accounts have been properly prepared and give a true and fair view of the company's affairs at the end of the year. However, most small companies are exempt from the requirement to have their accounts audited. A company is 'small' if it satisfies two of the following criteria:

- A turnover of £10.2 million or less.
- Gross assets of £5.1 million or less.
- An average of 50 staff or fewer.

Certain small companies are ineligible for this exemption. This includes, for example, those involved in insurance and other similarly regulated financial trading.

Even if a small company qualifies for audit exemption, it must still be audited if this is:

- Stipulated in its articles of association.
- Requested by shareholders owning at least 10% of the company's shares (or by 10% of the members of a company limited by guarantee).
- A requirement of any funding agreement a company may have with its bankers or other lenders.

The directors of an eligible company that makes use of an audit exemption must make a formal declaration of the members' decision not to submit its accounts to audit.

Preparing abridged accounts

If a company qualifies as a 'small company', it generally has the option of preparing abridged accounts.

Abridged accounts contain a balance sheet that only has some of the information that is included in a full balance sheet. Similarly, the profit and loss account only provides some of the information that is included in a full profit and loss account.

Companies that prepare abridged accounts must include a statement on the balance sheet that the members have agreed to the preparation of abridged accounts for the period that the accounts cover.

Micro-entity accounts exemptions

Some very small companies qualify as 'micro-entities' and may prepare accounts according to special provisions that enable them to disclose significantly less information than even small companies.

To qualify as a micro-entity, a small company must meet two out of the following conditions:

- Turnover must not exceed £632,000.
- The average number of employees must not be more than ten.
- The balance sheet total must be £316,000 or less.

Certain entities, such as limited liability partnerships, overseas companies and charitable companies, are excluded from qualification as a micro-entity.

The accounts that a micro-entity is required to prepare have a simplified balance sheet, a directors' report, a simplified profit and loss account, an auditor's report (unless the company is making use of the audit exemption) and notes to the accounts. The accounts must include a clear statement above the director's signature and printed name, indicating that the accounts have been prepared in accordance with the micro-entity provisions.

Filleted accounts

Before filing their prepared accounts with Companies House, small companies and micro-entities have the option of 'filleting' them. This means removing the directors' report, the profit and loss account and any notes related to the profit and loss account.

Dormant companies

A company is classed as dormant if it has no significant accounting transactions during its accounting period. If it also qualifies as a small company, only simplified accounts, known as dormant accounts, need to be filed. For more information, go to www.gov.uk/dormant-company/dormant-for-companies-house.

Anyone who manages a company that they think may be classed as dormant, should discuss their specific circumstances with their accountant.

Filing accounts at Companies House

All private limited companies and public limited companies must file their accounts at Companies House.

If a company's first accounts are being filed and they cover a period of more than 12 months, they must be filed with Companies House within 21 months of the date of incorporation for private companies (18 months for public companies), or three months from the accounting reference date if this is longer.

For subsequent accounting periods, the time normally allowed for filing accounts at Companies House is:

- For a private company, nine months from the reference date.
- For a public company, six months from the reference date.

Accounts need to be approved by the directors before they are submitted to Companies House and are typically filed online, although it is still possible to submit paper accounts.

The Companies House online filing service is at www.gov.uk/file-your-company-annual-accounts. Alternatively, private companies that do not need to have their company accounts audited can file them at the same time as they file their tax return by using HMRC's online service.

Penalties for late filing of accounts

There is an automatic penalty for late filing of a company's accounts, with the amount depending on how late the accounts are filed.
The penalties that apply for private limited companies are as follows:

- £150 (up to a month late).
- £375 (more than one month but less than three months late).
- £750 (more than three months but less than six months late).
- £1,500 (more than six months late).

Failing to file accounts is a criminal offence for which company directors may be prosecuted. This may lead to fines being imposed on them by the criminal courts and to the company being struck off the public record.

Circulating accounts to members

All members of a company are entitled to receive a copy of the company's annual accounts. It is important to ensure that the accounts are sent to members within nine months of the company's financial year end, or, if earlier, the date on which the accounts are filed at Companies House.

Useful resources

'Prepare Annual Accounts for a Private Limited Company
'Companies House
www.gov.uk/annual-accounts

'Company Accounts Guidance'
Companies House
www.gov.uk/government/publications/life-of-a-company-annual-requirements

Related factsheets

BIF007 Understanding Balance Sheets
BIF008 Understanding Profit and Loss Accounts
BIF023 Duties of a Company Secretary
BIF025 Duties of a Company Director
BIF032 Choosing the Right Business Legal Structure
BIF038 Choosing and Using an Accountant
BIF167 Setting up a Private Company Limited by Shares
BIF196 Glossary of Company Law Terminology
BIF459 A Guide to the Companies Act 2006

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