

STEADFAST CORPORATE SERVICES

Accounts requirements – Gibraltar companies

All companies incorporated in Gibraltar are required to produce and file certain accounting information. The requirements affect different sizes of companies as briefly explained below, together with a summary of the filing time limits.

1. Companies (Accounts) Act

The Companies (Accounts) Act implements the Fourth Company Law Directive of the European Union. The Act provides common formats for the drawing up of company accounts so that shareholders, prospective shareholders and third parties can be properly informed about the affairs of a company. The requirements differ, depending upon the size of the company concerned, but apply to all public or private companies, including those limited by shares or by guarantee. The requirements do not apply to non-profit making companies nor to licensed banks or insurance companies.

2. Small and medium sized companies

A company is categorised as a *small company* if at least two of the following conditions are satisfied either in its first financial year or, thereafter, in two subsequent consecutive years:-

- net turnover does not exceed £4.8million,
- balance sheet total does not exceed £2.4million,
- average number of employees does not exceed 50.

A company is categorised as a *medium company* if, in respect of the relevant year or years, at least two of the following conditions are satisfied:-

- net turnover does not exceed £19.2million,
- balance sheet total does not exceed £9.6million,
- average number of employees does not exceed 250.

3. Requirements for small companies

A small company which has no liability to tax in Gibraltar:-

- is not required to appoint an auditor or to have its accounts audited,
- is not required to file a Directors Report or profit and loss account,
- is not required to lay its accounts before its shareholders in general meeting,
- is only required to file a balance sheet in an abbreviated form signed by two directors (or one director, if there is only one director).

4. Requirements for medium-sized and large companies

Companies which are not categorised as small companies are required to prepare and file a profit and loss account and balance sheet for each financial year, accompanied by an auditors report and a directors' report. The directors' report may, instead of being filed, be made available at the registered office.

The layout and content of a medium-sized company's profit and loss account may be modified as permitted in the relevant schedule of the Act.

5. Format and content

The required layout, format and content of accounts (including small company balance sheet formats) are contained in schedules to the Act.

The first set of accounts (or abbreviated balance sheet in the case of small companies) due for filing are not required to show corresponding figures for the previous year. All subsequent accounts are required to show corresponding figures for the previous financial year.

Accounts may be produced in Euros, must be drawn up clearly in accordance with the requirements of the Act and must give a true and fair view of the company's financial position.

6. Filing time limits

The Act applies to the accounts of companies in respect of each financial year which begins **on or after 1 April 2000**. Private companies must make the required filings within 13 months after the end of the financial year (10 months for public companies). If the relevant financial year is the company's first year of existence, the period allowed is 18 months from the first anniversary of the incorporation of the company or 13 months from the end of that financial year, whichever is the longest period.

Thus, where the financial year of a company which was in existence in April 2000 begins, for instance, on 1 January the first financial year in respect of which it was required to make a filing was the year 2001 and that filing was required to be made by no later than 31 January 2003.

7. Companies (Consolidated Accounts) Act

This Act implements the Seventh Company Law Directive of the European Union and deals with the accounts of groups of companies. The Act defines parent and subsidiary undertakings and groups and provides for the format of group accounts and for certain minimum information to be given. Groups are categorised as small or medium-sized, using the same criteria as apply to individual companies.

The Act provides that if a company is a parent company it is required to prepare group accounts as well as its own accounts. There are exceptions where a company is itself a subsidiary and its immediate parent is incorporated in a member state in the European Economic Area.

8. Penalties

If a company fails to make a filing as required by the Act a penalty of £100 may be imposed on the company or its directors and the company will not be in good standing with the Registry of Companies.