

Collas Crill explains... Financial records and statements for Jersey companies

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This guide is one in a series of 'Collas Crill explains...' in which we examine areas of Jersey law that frequently arise in practice.

Jersey is a popular place to establish an asset holding **company** because the **Law** is modern, flexible and modelled on English companies legislation.

This guide looks at the key things you need to know about the requirements regarding financial records and statements for a **company** under the **Law**.

Words in bold text are defined at the end of this guide.

Accounting records

A **company** must keep accounting records that:

- are sufficient to show and explain its transactions;
- disclose its financial position with reasonable accuracy at any time; and
- allow it to prepare accounts that comply with the **Law**.

A **company's** accounting records must be:

- kept at any location the directors decide;
- available for inspection by directors and the company secretary; and
- retained for ten years.

If a **public company** keeps its accounting records outside Jersey, it must keep in Jersey financial information which:

- discloses its financial position with reasonable accuracy at intervals of not more than six months; and
- allows it to prepare accounts that comply with the **Law**.

What is meant by *accounts*?

The **Law** uses the term accounts rather than financial statements. It does not:

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- define what is meant by accounts; or
- specify what must be included in, or the format of, accounts.

The generally accepted view is that, for the purposes of the **Law**, a **company's** accounts consist of a balance sheet and profit and loss statement. Some companies choose to prepare a cash flow statement too.

The **GAAP** used by a **company** to prepare its accounts normally determines the layout and contents of its accounts.

Requirement to prepare accounts

The requirements of the **Law** regarding preparing accounts are as follows.

- A **company** must prepare accounts for a period of not more than 18 months beginning:
 - on its date of incorporation; or
 - (if the **company** has previously prepared accounts) after the period covered by its most recent accounts.
- If it has prepared consolidated accounts, a holding company does not have to prepare individual accounts for itself unless its shareholders pass an ordinary resolution requiring it to prepare them.
- A **company's** accounts must:
 - be prepared in accordance with any:
 - **GAAP** selected by it; or
 - **Prescribed GAAP** selected by it if it is a **market traded company**; and
 - specify the **GAAP** or **Prescribed GAAP** used to prepare them.
- If a **company** is required to have its accounts audited (see *Requirement to audit accounts* below), its accounts must:
 - give a true and fair view of, or be presented fairly in all material respects, so that they show:
 - its profit or loss for the period covered by the accounts; and
 - the state of its affairs at the end of that period; and
 - comply with the **Law**.
- Within seven months (for a **public company**) or 10 months (for a **private company**) of the end of the financial period to which they relate, a **company's** accounts must be:
 - prepared and (if necessary) audited; and

- approved by its directors and signed by a director on behalf of them.

Requirement to present accounts to shareholders

Except as noted below, within:

- seven months (for a **public company**); or
- 10 months (for a **private company**),

of the end of the financial period to which they relate, a **company** must present its accounts and (if applicable) the auditor's report on them to a meeting of shareholders.

Where a **company** (whether it is a **public** or **private company**) is not required to hold **AGMs**, it does not have to present its accounts or the auditor's report on them to a meeting of shareholders, unless a shareholder gives it a written notice within 11 months of the end of the relevant financial period requiring it to do so.

The shareholders merely receive the accounts rather than approve them. This is because the accounts are a factual account of the **company's** financial performance and the shareholders cannot refuse to accept them if they do not like what they say.

Requirement to file accounts

A **public company** must, within seven months of the end of each of its financial periods, deliver to the registrar of companies a copy (translated into English if not in English) of:

- its accounts signed by a director on behalf of the directors; and
- the auditor's report on the accounts.

Shareholder's right to receive accounts

If a shareholder has not received a copy of a **company's** most recent accounts and (if applicable) the auditor's report on them:

- it may require the **company** to provide it with a copy of them; and
- the **company** must provide them free of charge with seven days.

Audit requirements

For information on the audit requirements for a **company** under the **Law**, see our guide *Audit requirements for Jersey companies* ([click here](#)).

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If a **company** fails to comply with the obligations regarding financial records and accounts described above, the **company** and (in the case of a **public company**) each director commits an offence.

The punishment for being convicted of this offence is:

- in the case of the **company**, a fine; and
- in the case of a director of a **public company**, a fine, two years imprisonment or both.

Terms used

AGM means annual general meeting.

company means a Jersey company that does not carry on a regulated activity and is not an open ended investment company.

GAAP means generally accepted accounting principles.

Law means the Companies (Jersey) Law 1991.

market traded company means a company whose securities are admitted to trading on an EU regulated market other than:

- a company that is an open ended collective investment fund; or
- an issuer exclusively of debt securities admitted to trading on an EU regulated market the denomination of which is at least €100,000 (or its equivalent in another currency).

Prescribed GAAP means Canadian GAAP, Chinese GAAP, Indian GAAP, Japanese GAAP, South Korea GAAP, UK GAAP, US GAAP and International Financial Reporting Standards adopted by Regulation of the EU Commission or issued by the International Accounting Standards Board.

private company means a **company** which specifies in its memorandum of association that it is a private company.

public company means a **company** which specifies in its memorandum of association that it is a public company.

About Collas Crill

We are a leading offshore law firm. We are easy to do business with and give practical advice to overcome tough challenges. Through our network of offices, we practise British Virgin Islands, Cayman Islands, Guernsey and Jersey law.

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For more information please contact:



Matt Gilley

Partner[^] | Jersey

t: +44 (0) 1534 601691 | **e:** matthew.gilley@collascrill.com

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