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Collas Crill explains... Accounting and auditing requirements for Guernsey companies

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This is the last in our series of guides in which we examine areas of Guernsey law that frequently arise in practice.

In this guide, we outline the key things you need to know about Guernsey companies' accounting and audit requirements.

Words in bold text are defined at the end.

Accounting requirements

A **company** must keep accounting records which are sufficient to show and explain its transactions and be able to disclose the financial position of the **company** with reasonable accuracy at any time. The accounting records must also enable the directors to ensure that the accounts have been properly prepared in accordance with the **Law**.

A **company's accounts** must show a true and fair value of its profit and loss, include a balance sheet and must be prepared in accordance with **GAAP**.

Accounts must be approved by the board and signed by at least one director of the **company.**

A **company's** accounting records may be kept at the **company's** registered office, or at any other location as deemed appropriate by the directors. They must be available for inspection at all reasonable times by any officer of the **company** and kept for a minimum of six years.

If the records are kept outside of Guernsey, returns in respect of the business dealt with in the accounting records must be sent and kept at a place in Guernsey.

Requirement to file accounts

There is no requirement under the **Law** to file a company's **accounts** with the Guernsey Registry.

Delivery rights of accounts to members and officers

Within 12 months of the end of the **financial year**, the **company** must send its **accounts**, directors' report (if required) and auditors' report (if required) to every member of the **company**. If a member or officer makes a request to see the **accounts** (and the reports, if relevant), the **company** must provide these within seven days, provided that member or officer has not already made such a request within that **financial year**.

If a **company** holds an annual general meeting, the most recent **accounts**, directors' report (if applicable) and auditor's report (if applicable) must be available at the meeting.

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Directors' report

A directors' report must be prepared in respect of the **company** every year stating the **company's** principal activities over the course of the **financial year**. Directors of associated **companies** may combine directors' reports if they feel that this is appropriate.

A **company** can file a waiver resolution exempting the directors from this duty, although this is not possible for supervised **companies**. This exemption can be rescinded if requested by members holding 10% or more of the **company's** issued share capital.

Auditing requirements

A **company** must have its **accounts** audited for each **financial year** in accordance with the **Law**, unless the **company** is exempt or can exempt itself from this requirement.

The auditor's report in respect of a **company** must state whether in the auditor's opinion the **company's** accounts give a true and fair view, have been prepared in accordance with **GAAP** (as a minimum requirement) and comply with any relevant enactment in force. They must be signed and dated by the auditor.

Audit exemption

The members of a **company** may pass a waiver resolution to exempt the **company** from the requirement to have its **accounts** audited.

This exemption can be rescinded if requested by members holding 10% or more of the **company's** issued share capital.

The resolution must be passed in the **financial year** before the year to which the resolution relates, or where a **company** is newly incorporated, before the end of the first **financial year**. The resolution can waive the requirement for audit for one year, multiple years or indefinitely.

Audit waivers can be submitted on the Guernsey Registry online portal.

The **Regulations** provide that members of a 'large company' are not eligible to be audit exempt. A **company** is deemed to be a 'large company' if any two of the qualifying conditions listed below are met in any **financial year** and the preceeding **financial year**.

Qualifying conditions

The qualifying conditions referred to above are that the **company** has:

1. an annual net turnover of £6.5 million or greater;
2. a net balance sheet or £3.26 million or greater;
3. an average number of employees of 50 or more.

A 'small company' may be audit-exempt irrespective of whether they meet the qualifying conditions. These are:

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1. dormant companies;
2. asset holding companies; or
3. companies with 10 or fewer members.

Auditor's right to information

Auditors have the right to access all of a **company's** books, accounts and vouchers and can also request from any officer or employee of the **company** any such information or explanations as they think necessary.

Terms used

accounts means either individual accounts prepared in accordance with section 243 of the **Law** or consolidated accounts in accordance with section 244 of the **Law**.

company means a limited liability company limited by shares and incorporated and registered in Guernsey.

financial year means (i) firstly, the period beginning on the date on which a company was incorporated and ending within 18 months of that date; and (ii) thereafter, the period beginning on the day after its previous financial year ended and ending within 18 months of that date.

GAAP means generally accepted accounting principles.

Law means the Companies (Guernsey) Law 2008.

Regulations means The Companies (Audit Exemption) (Amendment) Regulations, 2014

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.

About this guide

This guide gives a general overview of this topic. It is not legal advice and you may not rely on it. If you would like legal advice on this topic, please get in touch with one of the authors or your usual Collas Crill contacts.

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