



## **‘END OF YEAR’ STATUTORY ACCOUNTS – 8 REASONS WHY THEY ARE REALLY IMPORTANT !**

### **BACKGROUND**

- Most business owners and entrepreneurs are probably very familiar with the annual ‘**End of Year**’ accounts process i.e.
  1. they are asked by their accountants for additional documentation and explanations on issues that happened 12 months ago
  2. there is a detailed review of the results for the previous financial year and a discussion on the ‘**profits**’ generated for the year
  3. the amount of Corporation tax that will need to be paid is agreed and a payment deadline added to the diary
  4. the statutory accounts are submitted to Companies House and HMRC – **by the relevant deadline !**

### **AND**

- Other than that, the business owner is not really interested in the statutory accounts and would probably rather avoid the whole process – **if it was possible !**

### **8 (OTHER) REASONS WHY STATUTORY ACCOUNTS ARE REALLY IMPORTANT !**

However the preparation and submission of the ‘**End of Year**’ statutory accounts have a number of additional purposes and value for your business – **other than just fulfilling simple legal and tax requirements !**

Many of these are benefits go ‘**under the radar**’ when business owners consider this annual work with their accountants, which can include the following:

1. **Credit rating** – the submission of statutory accounts to Companies House impacts your credit rating (typically positively – unless the results themselves are poor). Also generally the sooner they are submitted each year the better impact on your credit rating !
2. **Overdrafts & Loan Finance** – where you are considering adding an overdraft facility to your routine ‘**cash management**’ processes, or even looking for loan finance of any type, the lender will request sight of the most recent accounts i.e. the **less recent** the accounts that are available, the more that will be required to satisfy their credit team to provide the facilities !
3. **Suppliers** – when starting a new relationship with a Supplier and also looking for credit, in many cases they will request a copy of the most recent statutory accounts. Additionally some Suppliers will automatically carry out a review of your business’ credit report, in order to determine if or how much credit that can provide your business with and/or your payment terms.
4. **Directors Personal mortgages** - when obtaining personal mortgages the lender will typically request sight of the most recent (or in some cases the last 3 years) statutory accounts for their business. This allows the lender to both confirm information that may have been provided as part of the application and also to satisfy the requirements of their credit team in terms of the lending amounts.



5. **Tenders** – when applying for and preparing a tender for a specific project or contract etc., a key part of the process will be providing recent statutory accounts (for one or more years) to meet the main criteria and/or as part of the competition with other applicants i.e. less recent statutory accounts compared to others are likely to impact your marks !
6. **Staff Bonuses and Incentives** – for many businesses with specific annual bonus structures in place for their employees or where there are other incentives for employees – these will generally be based upon the results in the statutory accounts (subject to a few pre agreed adjustments). Therefore preparing the statutory accounts quickly and efficiently will be core to staff satisfaction and retention !
7. **Office leases / Finance Leases** – as these both tend to include an element of ‘**credit**’ or the ‘**ability to pay**’, again the Supplier will request sight of the (most recent) statutory accounts for the business, and will evaluate their willingness to make an offer based on the availability of, and the information contained within these accounts (see above re credit rating).
8. **Business ‘Exit’ or Sale of Business** – a key part of ‘**exiting**’ or selling your business and benefiting financially from all those years of your hard work - at some point in the future – will be ensuring that the ‘**due diligence**’ process by the Purchaser is successful !

A key element of ‘**due diligence**’ is being able to review a number of years of statutory accounts, from the most recent back a number of years, to validate the information provided but also to understand the ‘journey’ and see your ‘track record’ !

**SO** – If you thought that the **ONLY** value of your ‘End of Year’ statutory accounts was related to ‘**having**’ to file them at **Companies House and pay tax to Companies House** - then perhaps the above will ensure they are given a higher **PRIORITY** next year !

**If you are dealing with any of the above issues, and need some advice or guidance to help with successfully ‘navigating’ any of them – then feel free to contact the SAKURA Team for more assistance and support !**

**Contact us on 0207 952 1230 or at [damian@sakurabusiness.co.uk](mailto:damian@sakurabusiness.co.uk)**