

Don't forget the 2024 financial statements

The deadline for discussion of **the financial statements for the financial year 2024** is fast approaching. Neglect of legal obligations may lead to significant legal consequences, including liability of the members of the governing body or invalidity of the resolution of the general meeting.

We have therefore prepared a summary of **the key steps to be taken**.

What needs to be done?

The members of the governing body of the company are obliged to have **the financial statements prepared and to submit them to the shareholders for a discussion (approval)** at the general meeting within the statutory time limit.

If the company has a sole shareholder, the members of the governing body are obliged to submit the financial statements to the sole shareholder.

By when do the financial statements need to be discussed?

The financial statements for 2024, if the company's accounting period corresponds to the calendar year, must be discussed **within six months after the end of the accounting period, i.e. no later than 30 June 2025**.

Discussion of the financial statements means the convening of a general meeting, the agenda of which includes an agenda item – discussion or approval of the financial statements and the resolution on allocation of profit or loss.

What duties do members of the governing body have?

The members of the governing body have a statutory **obligation to convene the general meeting so that the general meeting is held within the above-mentioned statutory deadline, i.e. by 30 June 2025 at the latest**.

When organising a general meeting, the members of the governing body must **respect the time limits for convening the general meeting – generally 15 days in the case of a limited liability company and 30 days in the case of a joint stock company**, unless the articles of association provide otherwise.

Especially in the case of a joint stock company, it is necessary to start preparing and convening the general meeting well in advance. The time constraint in convening the general meeting can be solved, if necessary, by all shareholders waiving the right to a timely and proper convening of the general meeting, or in the case of a joint stock company, a qualified shareholder may request a general meeting with a shortened convening period.

Are the shareholders required to approve the financial statements?

No, the law does not impose such an obligation on shareholders. **Shareholders may decide not to approve the financial statements**.

However, **unapproved financial statements can pose practical difficulties** when seeking an external financing or in case of a sale of the company.

What must the invitation to the general meeting contain?

The invitation to the general meeting must contain (i) the agenda of the general meeting containing all the items to be discussed at the general meeting, (ii) a draft resolution on each item on the agenda. The invitation (and the agenda of the general meeting) must explicitly include the primary items of **approval of the financial statements** and **the proposal for the allocation of profit or loss**. The invitation must also be accompanied by **the financial statements themselves** and other relevant documents.

In the case of a joint stock company, the financial statements (or, where applicable, the annual report or the governing body's report on the company's activities) must also be **published on the company's website at least 30 days before the date of the general meeting**.

Is an audit needed?

Financial statements must be **audited** if the company meets the statutory criteria, i.e. it has (i) total assets of CZK 40M, (ii) annual aggregate net turnover of CZK 80M, or (iii) more than 50 employees during the financial year. In the case of a joint stock company, it is sufficient to exceed one of the above criteria, whereas in the case of a limited liability company is statutory audit triggered by exceeding of two criteria.

If the financial statements have to be audited by an auditor, **the appointment of the auditor for the following financial year** is usually one of the items on the agenda of the general meeting.

Obligation to file financial statements in the collection of deeds

The law requires that **the financial statements be entered in the collection of deeds of the Commercial Register** within 30 days of the approval of the financial statements by the general meeting and at the same time within 12 months of the balance sheet date. In the case of the 2024 financial statements, the documents must be published in the collection of deeds by 31 December 2025.

The annual report and the auditor's report must also be published within the same period if the company is subject to an audit.

The obligation to disclose documents also applies if the financial statements have not been approved by the general meeting – in such a case it is necessary to prove this fact (e.g. by the minutes of the general meeting at which the financial statements were discussed, although not approved).

What are the penalties?

If a company fails to file its financial statements (or related documents) in the collection of deeds within the prescribed time limits, the tax authority may impose **a fine of up to 3% of the value of the company's net assets**.

Furthermore, the Commercial Register may impose **a fine of up to CZK 100,000.-** on the company if the financial statements are not filed in the collection of deeds even within 30 days after the court's request.

In the worst-case scenario, **the company may be dissolved** if it has not published financial statements for at least two consecutive financial years and simultaneously the company fails to receive the Commercial Register's notice to remedy this situation.

In case of improper convening of a general meeting, **a minority shareholder may also challenge the adopted resolution of the general meeting and claim damages from the members of the governing body**.

We strongly advise **to plan the general meeting well in advance and prepare all the necessary documents for the discussion of the financial statements**, especially if your financial statements are subject to audit (i.e. do not forget the annual report and the relationship report).

Who to contact?

If you have any questions about convening a general meeting to approve the financial statements, please do not hesitate to contact us, we will be happy to help you!

PEYTON legal corporate team



JUDr. Tadeáš Petr
partner
petr@plegal.cz



Mgr. Martin Heinzl
senior attorney-at-law
heinzl@plegal.cz



Mgr. Nikola Tomíčková
junior lawyer
tomickova@plegal.cz