
STATUTORY INSTRUMENTS

1997 No. 220

The Companies Act 1985 (Accounts of Small and Medium-sized Companies and Minor Accounting Amendments) Regulations 1997

Citation, interpretation and commencement etc.

1.—(1) These Regulations may be cited as the Companies Act 1985 (Accounts of Small and Medium-sized Companies and Minor Accounting Amendments) Regulations 1997.

(2) In these Regulations “the 1985 Act” means the Companies Act 1985.

(3) These Regulations—

(a) shall come into force on 1st March 1997; and

(b) subject to paragraph (4), shall apply to annual accounts approved by the board of directors on or after that day, and to directors' and auditors' reports on such accounts.

(4) A company may, with respect to a financial year of the company ending on or before 24th March 1997, prepare and deliver to the registrar of companies such annual accounts and directors' and auditors' reports as it would have been required to prepare and deliver had the amendments to the 1985 Act effected by these Regulations not been made.

Special provisions for small companies

2.—(1) For section 246 of the 1985 Act(1) there shall be substituted the following section—

“246 Special provisions for small companies

(1) Subject to section 247A, this section applies where a company qualifies as a small company in relation to a financial year.

(2) If the company's individual accounts for the year—

(a) comply with the provisions of Schedule 8, or

(b) fail to comply with those provisions only in so far as they comply instead with one or more corresponding provisions of Schedule 4,

they need not comply with the provisions or, as the case may be, the remaining provisions of Schedule 4; and where advantage is taken of this subsection, references in section 226 to compliance with the provisions of Schedule 4 shall be construed accordingly.

(3) The company's individual accounts for the year need not give the information required by—

(a) paragraph 4 of Schedule 5 (financial years of subsidiary undertakings);

(b) paragraph 1(3) of Schedule 6 (breakdown of aggregate amount of directors' emoluments);

(1) Section 246 was substituted by section 13(1) of the Companies Act 1989 and amended by regulation 4 of S.I.1992/2452 and regulation 7 of S.I. 1996/189.

- (c) paragraphs 2 to 5 of Schedule 6 (details of chairman's and directors' emoluments); or
 - (d) paragraph 7 of Schedule 6 (pensions of directors and past directors).
- (4) The directors' report for the year need not give the information required by—
- (a) section 234(1)(a) and (b) (fair review of business and amount to be paid as dividend);
 - (b) paragraph 1(2) of Schedule 7 (statement of market value of fixed assets where substantially different from balance sheet amount);
 - (c) paragraph 6 of Schedule 7 (miscellaneous disclosures); or
 - (d) paragraph 11 of Schedule 7 (employee involvement).
- (5) Notwithstanding anything in section 242(1), the directors of the company need not deliver to the registrar any of the following, namely—
- (a) a copy of the company's profit and loss account for the year;
 - (b) a copy of the directors' report for the year; and
 - (c) if they deliver a copy of a balance sheet drawn up as at the last day of the year which complies with the requirements of Schedule 8A, a copy of the company's balance sheet drawn up as at that day.
- (6) Neither a copy of the company's accounts for the year delivered to the registrar under section 242(1), nor a copy of a balance sheet delivered to the registrar under subsection (5)(c), need give the information required by—
- (a) paragraph 4 of Schedule 5 (financial years of subsidiary undertakings);
 - (b) paragraph 6 of Schedule 5 (shares of company held by subsidiary undertakings);
 - (c) Part I of Schedule 6 (directors' and chairman's emoluments, pensions and compensation for loss of office); or
 - (d) section 390A(3) (amount of auditors' remuneration).
- (7) The provisions of section 233 as to the signing of the copy of the balance sheet delivered to the registrar apply to a copy of a balance sheet delivered under subsection (5)(c).
- (8) Subject to subsection (9), each of the following, namely—
- (a) accounts prepared in accordance with subsection (2) or (3),
 - (b) a report prepared in accordance with subsection (4), and
 - (c) a copy of accounts delivered to the registrar in accordance with subsection (5) or (6),
- shall contain a statement in a prominent position on the balance sheet, in the report or, as the case may be, on the copy of the balance sheet, above the signature required by section 233, 234A or subsection (7), that they are prepared in accordance with the special provisions of this Part relating to small companies.
- (9) Subsection (8) does not apply where the company is exempt by virtue of section 250 (dormant companies) from the obligation to appoint auditors.”
- (2) For Schedule 8 to the 1985 Act there shall be substituted the provisions set out in Schedule 1 to these Regulations.
- (3) After Schedule 8 to the 1985 Act there shall be inserted, as Schedule 8A, the provisions set out in Schedule 2 to these Regulations.

Special provisions for medium-sized companies

3. After section 246 of the 1985 Act there shall be inserted the following section—

“Special provisions for medium-sized companies

246A.—(1) Subject to section 247A, this section applies where a company qualifies as a medium-sized company in relation to a financial year.

(2) The company’s individual accounts for the year need not comply with the requirements of paragraph 36A of Schedule 4 (disclosure with respect to compliance with accounting standards).

(3) The company may deliver to the registrar a copy of the company’s accounts for the year—

(a) which includes a profit and loss account in which the following items listed in the profit and loss account formats set out in Part I of Schedule 4 are combined as one item under the heading “gross profit or loss”—

Items 1, 2, 3 and 6 in Format 1;

Items 1 to 5 in Format 2;

Items A.1, B.1 and B.2 in Format 3;

Items A.1, A.2 and B.1 to B.4 in Format 4;

(b) which does not contain the information required by paragraph 55 of Schedule 4 (particulars of turnover).

(4) A copy of accounts delivered to the registrar in accordance with subsection (3) shall contain a statement in a prominent position on the copy of the balance sheet, above the signature required by section 233, that the accounts are prepared in accordance with the special provisions of this Part relating to medium-sized companies.”

Cases in which special provisions do not apply

4. After section 247 of the 1985 Act(2) there shall be inserted the following section—

“Cases in which special provisions do not apply

247A.—(1) Nothing in section 246 or 246A shall apply where—

(a) the company is, or was at any time within the financial year to which the accounts relate—

(i) a public company,

(ii) a banking or insurance company, or

(iii) an authorised person under the Financial Services Act 1986; or

(b) the company is, or was at any time during that year, a member of an ineligible group.

(2) A group is ineligible if any of its members is—

(a) a public company or a body corporate which (not being a company) has power under its constitution to offer its shares or debentures to the public and may lawfully exercise that power,

(b) an authorised institution under the Banking Act 1987,

(c) an insurance company to which Part II of the Insurance Companies Act 1982 applies, or

(d) an authorised person under the Financial Services Act 1986.

(2) Section 247 was substituted by section 13(1) of the Companies Act 1989 and amended by regulation 5 of S.I. 1992/2452 and by regulation 8 of S.I. 1996/189.

(3) A parent company shall not be treated as qualifying as a small company in relation to a financial year unless the group headed by it qualifies as a small group, and shall not be treated as qualifying as a medium-sized company in relation to a financial year unless that group qualifies as a medium-sized group (see section 249).”

Special auditors' report

5. After section 247A of the 1985 Act there shall be inserted the following section—

“Special auditors' report

247B.—(1) This section applies where—

- (a) the directors of a company propose to deliver to the registrar copies of accounts (“abbreviated accounts”) prepared in accordance with section 246(5) or (6) or 246A(3) (“the relevant provision”),
- (b) the directors have not taken advantage of the exemption from audit conferred by section 249A(1) or (2), and
- (c) the company is not exempt by virtue of section 250 from the obligation to appoint auditors.

(2) If abbreviated accounts prepared in accordance with the relevant provision are delivered to the registrar, they shall be accompanied by a copy of a special report of the auditors stating that in their opinion—

- (a) the company is entitled to deliver abbreviated accounts prepared in accordance with that provision, and
- (b) the abbreviated accounts to be delivered are properly prepared in accordance with that provision.

(3) In such a case a copy of the auditors' report under section 235 need not be delivered, but—

- (a) if that report was qualified, the special report shall set out that report in full together with any further material necessary to understand the qualification; and
- (b) if that report contained a statement under—
 - (i) section 237(2) (accounts, records or returns inadequate or accounts not agreeing with records and returns), or
 - (ii) section 237(3) (failure to obtain necessary information and explanations),
 the special report shall set out that statement in full.

(4) Section 236 (signature of auditors' report) applies to a special report under this section as it applies to a report under section 235.

(5) If abbreviated accounts prepared in accordance with the relevant provision are delivered to the registrar, references in section 240 (requirements in connection with publication of accounts) to the auditors' report under section 235 shall be read as references to the special auditors' report under this section.”

Group accounts prepared by small company

6. After section 248 of the 1985 Act(3) there shall be inserted the following section—

(3) Section 248 was substituted by section 13(3) of the Companies Act 1989, and amended by regulation 9 of S.I. 1996/189.

“Group accounts prepared by small company

248A.—(1) This section applies where a small company—

- (a) has prepared individual accounts for a financial year in accordance with section 246(2) or (3), and
- (b) is preparing group accounts in respect of the same year.

(2) If the group accounts—

- (a) comply with the provisions of Schedule 8, or
- (b) fail to comply with those provisions only in so far as they comply instead with one or more corresponding provisions of Schedule 4,

they need not comply with the provisions or, as the case may be, the remaining provisions of Schedule 4; and where advantage is taken of this subsection, references in Schedule 4A to compliance with the provisions of Schedule 4 shall be construed accordingly.

(3) For the purposes of this section, Schedule 8 shall have effect as if, in each balance sheet format set out in that Schedule, for item B.III there were substituted the following item—

“B.III Investments

1. Shares in group undertakings
2. Interests in associated undertakings
3. Other participating interests
4. Loans to group undertakings and undertakings in which a participating interest is held
5. Other investments other than loans
6. Others.”

(4) The group accounts need not give the information required by the provisions specified in section 246(3).

(5) Group accounts prepared in accordance with this section shall contain a statement in a prominent position on the balance sheet, above the signature required by section 233, that they are prepared in accordance with the special provisions of this Part relating to small companies.”

Minor and consequential amendments

7.—(1) In subsection (5)(b) of section 171 of the 1985 Act (power of private companies to redeem or purchase own shares out of capital) after “paragraph 34 of Schedule 4” there shall be inserted “or paragraph 34 of Schedule 8”.

(2) In section 247(5) of the 1985 Act (calculation of balance sheet total for determining whether company small or medium-sized) after “Part I of Schedule 4” there shall be inserted “or Part I of Schedule 8”.

(3) In section 249C(6) of the 1985 Act (provisions of Part VII on which reporting accountant has to give opinion)⁽⁴⁾, for “section 246(1)(a) and (1A) and Section A of Part I of Schedule 8” there shall be substituted “section 246(2) and (3)”.

(4) Section 249C was inserted by S.I. 1994/1935.

(4) In section 250 of the 1985 Act (resolution not to appoint auditors)(5)—

(a) in subsection (1)(b), for sub-paragraph (i) there shall be substituted—

“(i) is entitled in respect of its individual accounts for that year to prepare accounts in accordance with section 246(2), or would be so entitled but for the application of subsection (1)(a)(i) or (b) of section 247A, and,” and

(b) in subsection (4), for paragraph (d) there shall be substituted—

“(d) the company shall be treated as a company entitled to prepare accounts in accordance with section 246(2) notwithstanding that it is a member of an ineligible group.”

(5) In section 260(6) of the 1985 Act (meaning of “participating interest” in balance sheet and profit and loss account formats)(6) after “Schedule 4,” there shall be inserted “Part I of Schedule 8, Schedule 8A,”.

(6) In the index of defined expressions set out in section 262A of the 1985 Act(7)—

(a) in the entry relating to “historical cost accounting rules”, there shall be inserted at the appropriate place the words—

“—in Schedule 8 paragraph 29 of that Schedule”;

(b) in the entry relating to “listed investment”, there shall be inserted at the appropriate place the words—

“—in Schedule 8 paragraph 54 of that Schedule”;

(c) for the entry relating to “pension costs” there shall be substituted the following entry—

“pension costs—in Schedule 4	paragraph 94(2) of that Schedule
—in Schedule 8	paragraph 59(2) of that Schedule
—in Schedule 9	paragraph 87(b) of Part I of that Schedule
—in Schedule 9A	paragraph 86(b) of Part I of that Schedule”;

(d) in the entry relating to “provision”, there shall be inserted at the appropriate place—

““—in Schedule 8 paragraphs 57 and 58 of that Schedule”;

(e) in the entry relating to “social security costs”, there shall be inserted at the appropriate place—

“—in Schedule 8 paragraph 59(1) and (3) of that Schedule”.

(7) In subsection (2)(b) of section 269 of the 1985 Act (treatment of development costs), after “paragraph 20 of Schedule 4” there shall be inserted “paragraph 20 of Schedule 8”.

(5) Section 250 was inserted by section 14 of the Companies Act 1989, and amended by regulation 2 of S.I. 1992/3003, and by regulation 11 of S.I. 1996/189.

(6) Section 260 was substituted by section 22 of the Companies Act 1989, and amended by regulation 5(1) of, and paragraph 4 of Schedule 2 to, S.I. 1993/3246.

(7) Section 262A was inserted by section 22 of the Companies Act 1989 and was amended by regulation 6 of, and paragraph 3 of Schedule 2 to, S.I. 1991/2705, by regulation 5 of, and paragraph 5 of Schedule 2 to, S.I. 1993/3246, by regulation 4(2) of S.I. 1994/233, by regulation 4 of, and paragraph 3 of Schedule 1 to, S.I. 1994/1935, and by regulation 12(2) of S.I. 1996/189.

(8) In paragraph (b) of section 276 of the 1985 Act (distributions in kind)(8) after “Schedule 4” there shall be inserted “or paragraphs 12(a) and 34(3)(a) of Schedule 8”.

(9) In paragraph 48(1) of Schedule 4 and paragraph 68(1) of Schedule 9A to the 1985 Act (statement in notes to accounts of details of indebtedness)(9), for paragraph (b) there shall be substituted—

“(b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period.”

(10) In Schedule 4A to the 1985 Act—

(a) paragraph 1(2) (application of paragraph 59 of Schedule 4 to group accounts)(10) is hereby repealed; and

(b) in paragraph 19(2) (application of provisions of Schedule 4A to proportional consolidation) for “this Part” substitute “this Schedule”.

(11) Paragraph 2(1) (a) in Part II of Schedule 9 to the 1985 Act (application to accounts of banking groups of individual accounts provisions)(11) is hereby repealed.

(12) Paragraph 1(2) (b) in Part II of Schedule 9A to the 1985 Act (application to accounts of insurance groups of individual accounts provisions)(12) is hereby repealed.

29th January 1997

John M. Taylor
Parliamentary Under-Secretary of State for
Corporate and Consumer Affairs,
Department of Trade and Industry

(8) Section 276(b) was amended by section 23 of, and paragraph 7 of Schedule 10 to, the Companies Act 1989.
(9) Paragraph 48 of Schedule 4 was amended by regulation 14(1) of, and paragraph 8 of Schedule 1 to, S.I. 1996/189. Schedule 9A was substituted by regulation 4 of, and Schedule 1 to, S.I. 1993/3246, and paragraph 68 of that Schedule was amended by regulation 14(7) of, and paragraph 11 of Schedule 5 to, S.I. 1996/189.
(10) Schedule 4A was inserted by section 5(2) of, and Schedule 2 to, the Companies Act 1989; paragraph 1 of Schedule 4A was amended by regulation 14(2) of, and paragraph 2 of Schedule 2 to, S.I. 1996/189.
(11) Parts I to III of Schedule 9 were inserted by regulation 5 of, and Schedule 1 to, S.I. 1991/2705, and amended by regulation 14(6) of, and Schedule 4 to, S.I. 1996/189.
(12) Schedule 9A was inserted by regulation 4 of, and Schedule 1 to, S.I. 1993/3246, and amended by regulation 14(7) of, and Schedule 5 to, S.I. 1996/189.