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# Companies Act 1985

## 1985 CHAPTER 6

### PART VII **U.K.**

#### ACCOUNTS AND AUDIT

### CHAPTER II **U.K.**

#### *EXEMPTIONS, EXCEPTIONS AND SPECIAL PROVISIONS*

#### *Small and medium-sized companies and groups*

#### **246 Exemptions for small and medium-sized companies. **E+W+S****

- (1) A company which qualifies as a small or medium-sized company in relation to a financial year—
- (a) is exempt from the requirements of paragraph 36A of Schedule 4 (disclosure with respect to compliance with accounting standards), and
  - (b) is entitled to the exemptions provided by [<sup>F1</sup>Part III of] Schedule 8 with respect to the delivery to the registrar under section 242 of individual accounts and other documents for that financial year.
- [<sup>F2</sup>(1A) A company which qualifies as a small company in relation to a financial year is entitled to the exemptions provided by Part I of Schedule 8 with respect to the preparation of annual accounts for that year if its balance sheet contains, immediately above the signature required by section 233—
- (a) a statement that advantage has been taken, in the preparation of the accounts, of special exemptions applicable to small companies, and
  - (b) a statement of the grounds on which, in the directors' opinion, the company is entitled to those exemptions.
- (1B) A company which qualifies as a small company in relation to a financial year is entitled to the exemptions provided by Part II of Schedule 8 with respect to the preparation of

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a directors' report for that year if the report contains, immediately above the signature required by section 234A—

- (a) a statement that advantage has been taken, in the preparation of the report, of special exemptions applicable to small companies, and
- (b) where the company's balance sheet for that year does not contain a statement under subsection (1A) (b), a statement of the grounds on which, in the directors' opinion, the company is entitled to those exemptions.]

<sup>F3</sup>(2) .....

- (3) A company is not entitled to the exemptions mentioned in [<sup>F4</sup>subsections (1), (1A) and (1B)] if it is, or was at any time within the financial year to which the accounts relate—
  - (a) a public company,
  - (b) a banking or insurance company, or
  - (c) an authorised person under the Financial Services Act 1986,
 or if it is or was at any time during that year a member of an ineligible group.

- (4) 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.
- (5) 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).

#### Textual Amendments

- F1** Words in s. 246(1)(b) inserted (16.11.1992) by S.I. 1992/2452, reg. 4(2)(a).
- F2** S. 246(1A)(1B) inserted (16.11.1992) by S.I. 1992/2452, reg. 4(1).
- F3** S. 246(2) repealed (16.11.1992) by S.I. 1992/2452, reg. 4(2)(b).
- F4** Words in s. 246(3) substituted (16.11.1992) by S.I. 1992/2452, reg. 4(2)(c).

#### Modifications etc. (not altering text)

- C1** S. 246(4) amended (1.7.1994) by S.I. 1994/1696, reg. 68, Sch. 8 Pt. I para. 9(1)(a)

VALID FROM 01/03/1997

### [<sup>F5</sup>246A Special provisions for medium-sized companies **E+W+S**

- (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).

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- (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.]

#### Textual Amendments

**F5** S. 246A inserted (1.3.1997) by S.I. 1997/220, art. 3

#### [<sup>F6</sup>247 Qualification of company as small or medium-sized. **E+W+S**

- (1) A company qualifies as small or medium-sized in relation to a financial year if the qualifying conditions are met—
- (a) in the case of the company's first financial year, in that year, and
  - (b) in the case of any subsequent financial year, in that year and the preceding year.
- (2) A company shall be treated as qualifying as small or medium-sized in relation to a financial year—
- (a) if it so qualified in relation to the previous financial year under [<sup>F7</sup>subsection (1) above or was treated as so qualifying under paragraph (b) below]; or
  - (b) if it was treated as so qualifying in relation to the previous year by virtue of paragraph (a) and the qualifying conditions are met in the year in question.
- (3) The qualifying conditions are met by a company in a year in which it satisfies two or more of the following requirements—

#### *Small company*

- |                        |   |
|------------------------|---|
| 1. Turnover            | [ <sup>F8</sup> Not more than £2.8million]  |
| 2. Balance sheet total | [ <sup>F8</sup> Not more than £1.4 million] |
| 3. Number of employees | Not more than 50                            |

#### *Medium-sized company*

- |             |  |
|-------------|--|
| 1. Turnover | [ <sup>F8</sup> Not more than £11.2 million] |
|-------------|--|

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2. Balance sheet total	[ <sup>F8</sup> Not more than £5.6 million]
3. Number of employees	Not more than 250.

(4) For a period which is a company's financial year but not in fact a year the maximum figures for turnover shall be proportionately adjusted.

(5) The balance sheet total means—

- (a) where in the company's accounts Format 1 of the balance sheet formats set out in Part I of Schedule 4 is adopted, the aggregate of the amounts shown in the balance sheet under the headings corresponding to items A to D in that Format, and
- (b) where Format 2 is adopted, the aggregate of the amounts shown under the general heading "Assets".

(6) The number of employees means the average number of persons employed by the company in the year (determined on a weekly basis).

That number shall be determined by applying the method of calculation prescribed by paragraph 56(2) and (3) of Schedule 4 for determining the corresponding number required to be stated in a note to the company's accounts.]

#### Textual Amendments

- F6** New ss. 246, 247 inserted as the beginning of Chapter II (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2) by Companies Act 1989 (c. 40, SIF 27), ss. 1, 13(1), 213(2), as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)
- F7** Words in s. 247(2)(a) substituted (16.11.1992) by S.I. 1992/2452, regs. 5(2), 7.
- F8** Words in s. 247(3) substituted (16.11.1992) by S.I. 1992/2452, regs. 5(3)(4), 7.

#### Modifications etc. (not altering text)

- C2** S. 247(3) applied (21.4.1995) by S.I. 1995/116, reg. 17(2)
- C3** S. 247 modified (16.11.1992) by S.I. 1992/2452, reg. 7(2).

VALID FROM 01/03/1997

#### [<sup>F9</sup>247A Cases in which special provisions do not apply **E+W+S**

(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,

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- (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.
- (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).]

#### Textual Amendments

**F9** S. 247A inserted (1.3.1997) by S.I. 1997/220, reg. 4

VALID FROM 01/03/1997

#### [<sup>F10</sup>247B Special auditors' report **E+W+S**

- (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.

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- (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.]

#### Textual Amendments

**F10** S. 247B inserted (1.3.1997) by S.I. 1997/220, reg. 5

### [<sup>F11</sup>248 Exemption for small and medium-sized groups. **E+W+S**

- (1) A parent company need not prepare group accounts for a financial year in relation to which the group headed by that company qualifies as a small or medium-sized group and is not 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.
- (3) If the directors of a company propose to take advantage of the exemption conferred by this section, it is the auditors' duty to provide them with a report stating whether in their opinion the company is entitled to the exemption.
- (4) The exemption does not apply unless—
  - (a) the auditors' report states that in their opinion the company is so entitled, and
  - (b) that report is attached to the individual accounts of the company.]

#### Textual Amendments

**F11** New ss. 248, 249 inserted (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2, by Companies Act 1989 (c. 40, SIF 27), ss. 1, 13(3), 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

#### Modifications etc. (not altering text)

**C4** S. 248(2) amended (1.7.1994) by S.I. 1994/1696, reg. 68, Sch. 8 Pt. I para. 9(1)(b)

VALID FROM 01/03/1997

### [<sup>F12</sup>248A Group accounts prepared by small company **E+W+S**

- (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

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- (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.]

#### Textual Amendments

F12 S. 248A inserted (1.3.1997) by S.I. 1997/220, reg. 6

#### [<sup>F13</sup>249 Qualification of group as small or medium-sized. **E+W+S**

- (1) A group qualifies as small or medium-sized in relation to a financial year if the qualifying conditions are met—
- (a) in the case of the parent company’s first financial year, in that year, and
  - (b) in the case of any subsequent financial year, in that year and the preceding year.
- (2) A group shall be treated as qualifying as small or medium-sized in relation to a financial year—

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- (a) if it so qualified in relation to the previous financial year under [F14 subsection (1) above or was treated as so qualifying under paragraph (b) below]; or
- (b) if it was treated as so qualifying in relation to the previous year by virtue of paragraph (a) and the qualifying conditions are met in the year in question.
- (3) The qualifying conditions are met by a group in a year in which it satisfies two or more of the following requirements—

---

*Small group*

- |                                  |   |
|----------------------------------|---|
| 1. Aggregate turnover            | [F15 Not more than £2.8 million net (or £3.36 million gross)] |
| 2. Aggregate balance sheet total | [F15 Not more than £1.4 million net (or £1.68 million gross)] |
| 3. Aggregate number of employees | Not more than 50  |

*Medium-sized group*

- |                                  |   |
|----------------------------------|---|
| 1. Aggregate turnover            | [F15 Not more than £11.2 million net (or £13.44 million gross)] |
| 2. Aggregate balance sheet total | [F15 Not more than £5.6 million net (or £6.72 million gross)]   |
| 3. Aggregate number of employees | Not more than 250.  |
- 

- (4) The aggregate figures shall be ascertained by aggregating the relevant figures determined in accordance with section 247 for each member of the group.

In relation to the aggregate figures for turnover and balance sheet total, “net” means with the set-offs and other adjustments required by Schedule 4A in the case of group accounts and “gross” means without those set-offs and other adjustments; and a company may satisfy the relevant requirement on the basis of either the net or the gross figure.

- (5) The figures for each subsidiary undertaking shall be those included in its accounts for the relevant financial year, that is—
- (a) if its financial year ends with that of the parent company, that financial year, and
- (b) if not, its financial year ending last before the end of the financial year of the parent company.
- (6) if those figures cannot be obtained without disproportionate expense or undue delay, the latest available figures shall be taken.]

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**Textual Amendments**

**F13** New ss. 248, 249 inserted (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2, by Companies Act 1989 (c. 40, SIF 27), ss. 1, 13(3), 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

**F14** Words in s. 249(2)(a) substituted (16.11.1992) by S.I. 1992/2452, regs. 6(2), 7.

**F15** Words in s. 249(3) substituted (16.11.1992) by S.I. 1992/2452, regs. 6(3)(4), 7.



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#### Modifications etc. (not altering text)

- C5 S. 249 amended (31.7.1997 with effect as mentioned in s. 44(1) of the amending Act) by 1990 c. 1, s. 22A(8)(a) (as inserted (31.7.1997 with effect as mentioned in s. 44(1) of the amending Act)) by 1997 c. 58, s. 43
- C6 S. 249 modified (16.11.1992) by S.I. 1992/2452, reg. 7(2).
- C7 S. 249(3)–(6) modified by S.I. 1986/1865, regs. 4, 5

#### *[<sup>F16</sup>Exemptions from audit for certain categories of small company]*

#### Textual Amendments

- F16 Ss. 249A–249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, reg. 2

#### <sup>F17</sup>249A Exemptions from audit **E+W+S**

- (1) Subject to section 249B, a company which meets the total exemption conditions set out below in respect of a financial year is exempt from the provisions of this Part relating to the audit of accounts in respect of that year.
- (2) Subject to section 249B, a company which meets the report conditions set out below in respect of a financial year is exempt from the provisions of this Part relating to the audit of accounts in respect of that year if the directors cause a report in respect of the company's individual accounts for that year to be prepared in accordance with section 249C and made to the company's members.
- (3) The total exemption conditions are met by a company in respect of a financial year if—
  - (a) it qualifies as a small company in relation to that year for the purposes of section 246,
  - (b) its turnover in that year is not more than £90,000, and
  - (c) its balance sheet total for that year is not more than £1.4 million.
- (4) The report conditions are met by a company in respect of a financial year if—
  - (a) it qualifies as a small company in relation to that year for the purposes of section 246,
  - (b) its turnover in that year is more than £90,000 but not more than £350,000, and
  - (c) its balance sheet total for that year is not more than £1.4 million.
- (5) In relation to any company which is a charity—
  - (a) subsection (3)(b) shall have effect with the substitution for the reference to turnover of a reference to gross income, and
  - (b) subsection (4)(b) shall have effect with the substitution—
    - (i) for the reference to turnover of a reference to gross income, and
    - (ii) for the reference to £350,000 of a reference to £250,000.
- (6) For a period which is a company's financial year but not in fact a year the maximum figures for turnover or gross income shall be proportionately adjusted.

<sup>F18</sup>(6A) A company is entitled to the exemption conferred by subsection (1) or (2) notwithstanding that it falls within paragraph (a) or (b) of section 250(1).]

- (7) In this section—

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“balance sheet total” has the meaning given by section 247(5), and

“gross income” means the company’s income from all sources, as shown in the company’s income and expenditure account

#### Textual Amendments

**F17** Ss. 249A-249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, reg. 2

**F18** S. 249A(6A) inserted (*retrospectively*) by S.I. 1997/936, reg. 2(7)(8)

VALID FROM 26/05/2000

#### <sup>F19</sup>249A Dormant companies **E+W+S**

- (1) Subject to section 249B(2) to (5), a company is exempt from the provisions of this Part relating to the audit of accounts in respect of a financial year if—
  - (a) it has been dormant since its formation, or
  - (b) it has been dormant since the end of the previous financial year and subsection (2) applies.
- (2) This subsection applies if the company—
  - (a) is entitled in respect of its individual accounts for the financial year in question to prepare accounts in accordance with section 246, or would be so entitled but for the application of section 247A(1)(a)(i) or (b), and
  - (b) is not required to prepare group accounts for that year.
- (3) Subsection (1) does not apply if at any time in the financial year in question the company was—
  - (a) a banking or insurance company, or
  - (b) an authorised person for the purposes of the Financial Services Act 1986.
- (4) A company is “dormant” during any period in which it has no significant accounting transaction.
- (5) “Significant accounting transaction” means a transaction which—
  - (a) is required by section 221 to be entered in the company’s accounting records; but
  - (b) is not a transaction to which subsection (6) or (7) applies.
- (6) This subsection applies to a transaction arising from the taking of shares in the company by a subscriber to the memorandum as a result of an undertaking of his in the memorandum.
- (7) This subsection applies to a transaction consisting of the payment of—
  - (a) a fee to the registrar on a change of name under section 28 (change of name),
  - (b) a fee to the registrar on the re-registration of a company under Part II (re-registration as a means of altering a company’s status),
  - (c) a penalty under section 242A (penalty for failure to deliver accounts), or
  - (d) a fee to the registrar for the registration of an annual return under Chapter III of Part XI.]

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### Textual Amendments

**F19** S. 249AA inserted (26.5.2000 with application as mentioned in art. 1(2) of the amending S.I.) by S.I. 2000/1430, arts. 1(2), 3

## <sup>F20</sup>249B Cases where exemptions not available **E+W+S**

- (1) A company is not entitled to the exemption conferred by subsection (1) or (2) of section 249A in respect of a financial year if at any time within that year—
  - (a) it was a public company,
  - (b) it was a banking or insurance company
  - (c) it was enrolled in the list maintained by the Insurance Brokers Registration Council under section 4 of the Insurance Brokers (Registration) Act 1977,
  - (d) it was an authorised person or an appointed representative under the Financial Services Act 1986,
  - (e) it was a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 or an employers' association as defined in section 122 of that Act, or
  - (f) it was a parent company or a subsidiary undertaking.
- (2) Any member or members holding not less in the aggregate than 10 per cent in nominal value of the company's issued share capital or any class of it or, if the company does not have a share capital, not less than 10 per cent in number of the members of the company, may, by notice in writing deposited at the registered office of the company during a financial year but not later than one month before the end of that year, require the company to obtain an audit of its accounts for that year
- (3) Where a notice has been deposited under subsection (2), the company is not entitled to the exemption conferred by subsection (1) or (2) of section 249A in respect of the financial year to which the notice relates
- (4) A company is not entitled to the exemption conferred by subsection (1) or (2) of section 249A unless its balance sheet contains a statement by the directors—
  - (a) that for the year in question the company was entitled to exemption under subsection (1) or (2) (as the case may be) of section 249A,
  - (b) that no notice has been deposited under subsection (2) of this section in relation to its accounts for the financial year, and
  - (c) that the directors acknowledge their responsibilities for—
    - (i) ensuring that the company keeps accounting records which comply with section 221, and
    - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.
- (5) The statement required by subsection (4) shall appear in the balance sheet immediately above the signature required by section 233 or, as the case may be, above any statement required by section 246(1A) or by paragraph 23 of Schedule 8.

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#### Textual Amendments

**F20** Ss. 249A-249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, reg. 2

#### <sup>F21</sup>**249C** The report required for the purposes of section 249A(2). **E+W+S**

- (1) The report required for the purposes of section 249A(2) shall be prepared by a person (referred to in this Part as “the reporting accountant”) who is eligible under section 249D
- (2) The report shall state whether in the opinion of the reporting accountant making it—
  - (a) the accounts of the company for the financial year in question are in agreement with the accounting records kept by the company under section 221, and
  - (b) having regard only to, and on the basis of, the information contained in those accounting records, those accounts have been drawn up in a manner consistent with the provisions of this Act specified in subsection (6), so far as applicable to the company.
- (3) The report shall also state that in the opinion of the reporting accountant, having regard only to, and on the basis of, the information contained in the accounting records kept by the company under section 221, the company satisfied the requirements of subsection (4) of section 249A (or, where the company is a charity, of that subsection as modified by subsection (5) of that section) for the financial year in question, and did not fall within section 249B(1)(a) to (f) at any time within that financial year
- (4) The report shall state the name of the reporting accountant and be signed by him
- (5) Where the reporting accountant is a body corporate or partnership, any reference to signature of the report, or any copy of the report, by the reporting accountant is a reference to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf
- (6) The provisions referred to in subsection (2)(b) are—
  - (a) section 226(3) and Schedule 4,
  - (b) section 231 and paragraphs 7 to 9A and 13(1), (3) and (4) of Schedule 5, and
  - (c) section 232 and Schedule 6,
 where appropriate as modified by section 246(1)(a) and (1A) and SectionA of Part I of Schedule 8.

#### Textual Amendments

**F21** Ss. 249A-249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, reg. 2

#### <sup>F22</sup>**249D** The reporting accountant **U.K.**

- [<sup>F23</sup>(1) The reporting accountant shall be either—
- (a) any member of a body listed in subsection (3) who, under the rules of the body—
    - (i) is entitled to engage in public practice, and
    - (ii) is not ineligible for appointment as a reporting accountant, or

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- (b) any person (whether or not a member of any such body) who—
- (i) is subject to the rules of any such body in seeking appointment or acting as auditor under Chapter V of Part XI, and
  - (ii) under those rules, is eligible for appointment as auditor under that Chapter.
- (1A) In subsection (1), references to the rules of a body listed in subsection (3) are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of Part II of the Companies Act 1989 or this section.
- This includes rules relating to the admission and expulsion of members of the body, so far as relevant for the purposes of that Part or this section.]
- (2) An individual, a body corporate or a partnership may be appointed as a reporting accountant, and section 26 of the Companies Act 1989 (effect of appointment of partnership) shall apply to the appointment as reporting accountant of a partnership constituted under the law of England and Wales or Northern Ireland, or under the law of any other country or territory in which a partnership is not a legal person
- (3) The bodies referred to in <sup>F24</sup>subsections (1) and (1A)] are—
- (a) the Institute of Chartered Accountants in England and Wales,
  - (b) the Institute of Chartered Accountants of Scotland,
  - (c) the Institute of Chartered Accountants in Ireland,
  - (d) the Chartered Association of Certified Accountants, and
  - (e) the Association of Authorised Public Accountants.
- (4) A person is ineligible for appointment by a company as reporting accountant if he would be ineligible for appointment as an auditor of that company under section 27 of the Companies Act 1989 (ineligibility on ground of lack of independence).

#### Textual Amendments

**F22** Ss. 249A-249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, reg. 2

**F23** S. 249D(1)(1A) substituted (30.3.1995) for s. 249D(1) by S.I. 1995/589, reg. 2(1)(2)

**F24** Words in s. 249D(3) substituted (30.3.1995) for s. 249D(3) by S.I. 1995/589, reg. 2(1)(3)

#### <sup>F25</sup>249E Effect of exemptions **E+W+S**

- (1) Where the directors of a company have taken advantage of the exemption conferred by section 249A(1)—
- (a) sections 238 and 239 (right to receive or demand copies of accounts and reports) shall have effect with the omission of references to the auditors' report;
  - (b) no copy of an auditors' report need be delivered to the registrar or laid before the company in general meeting;
  - (c) subsections (3) to (5) of section 271 (accounts by reference to which distribution to be justified) shall not apply.
- (2) Where the directors of a company have taken advantage of the exemption conferred by section 249A(2)—

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- (a) subsections (2) to (4) of section 236 (which require copies of the auditors' report to state the names of the auditors) shall have effect with the substitution for references to the auditors and the auditors' report of references to the reporting accountant and the report made for the purposes of section 249A(2) respectively;
- (b) sections 238 and 239 (right to receive or demand copies of accounts and reports), section 241 (accounts and reports to be laid before company in general meeting) and section 242 (accounts and reports to be delivered to the registrar) shall have effect with the substitution for references to the auditors' report of references to the report made for the purposes of section 249A(2);
- (c) subsections (3) to (5) of section 271 (accounts by reference to which distribution to be justified) shall not apply;
- (d) section 389A(1) and (2) (rights to information) shall have effect with the substitution for references to the auditors of references to the reporting accountant.

#### Textual Amendments

**F25** Ss. 249A-249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, reg. 2

### *Dormant companies*

#### **250 Resolution not to appoint auditors. E+W+S**

- (1) A company may by special resolution make itself exempt from the provisions of this Part relating to the audit of accounts in the following cases—
  - (a) if the company has been dormant from the time of its formation<sup>F26</sup> . . . ;
  - (b) if the company has been dormant since the end of the previous financial year and—
    - (i) is entitled in respect of its individual accounts for that year to the exemptions conferred by section 246 on a small company, or would be so entitled but for being a member of an ineligible group, and
    - (ii) is not required to prepare group accounts for that year,
 by a special resolution passed at a general meeting of the company [<sup>F27</sup>at any time after copies of the annual accounts and reports for that year have been sent out in accordance with section 238(1)].
- (2) A company may not pass such a resolution if it is—
  - (a) a public company,
  - (b) a banking or insurance company, or
  - (c) an authorised person under the Financial Services Act 1986.
- (3) A company is “dormant” during a period in which no significant accounting transaction occurs, that is, no transaction which is required by section 221 to be entered in the company’s accounting records; and a company ceases to be dormant on the occurrence of such a transaction.

For this purpose there shall be disregarded any transaction arising from the taking of shares in the company by a subscriber to the memorandum in pursuance of an undertaking of his in the memorandum.

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- (4) Where a company is, at the end of a financial year, exempt by virtue of this section from the provisions of this Part relating to the audit of accounts—
- (a) sections 238 and 239 (right to receive or demand copies of accounts and reports) have effect with the omission of references to the auditors' report;
  - (b) no copies of an auditors' report need be laid before the company in general meeting;
  - (c) no copy of an auditors' report need be delivered to the registrar, and if none is delivered, the copy of the balance sheet so delivered shall contain a statement by the directors, in a position immediately above the signature required by section 233(4), that the company was dormant throughout the financial year; and
  - (d) the company shall be treated as entitled in respect of its individual accounts for that year to the exemptions conferred by section 246 on a small company notwithstanding that it is a member of an ineligible group.
- (5) Where a company which is exempt by virtue of this section from the provisions of this Part relating to the audit of accounts—
- (a) ceases to be dormant, or
  - (b) would no longer qualify (for any other reason) to make itself exempt by passing a resolution under this section,
- it shall thereupon cease to be so exempt.

#### Textual Amendments

**F26** Words in s. 250(1)(a) repealed (31.12.1992) by S.I. 1992/3003, reg. 2(2).

**F27** Words in s. 250(1)(b) substituted (31.12.1992) by S.I. 1992/3003, reg. 2(3).

### Listed public companies

#### 251 Provision of summary financial statement to shareholders. **E+W+S**

- (1) A public company whose shares [<sup>F28</sup>or debentures], or any class of whose shares [<sup>F28</sup>or debentures], are listed need not, in such cases as may be specified by regulations made by the Secretary of State, and provided any conditions so specified are complied with, send copies of the documents referred to in section 238(1) to [<sup>F29</sup>entitled persons], but may instead send them a summary financial statement.

[<sup>F30</sup>In this section—

“entitled persons”, in relation to a company, means such of the persons specified in paragraphs (a) to (c) of subsection (1) of section 238 as are or would apart from this section be entitled to be sent copies of those documents relating to the company which are referred to in that subsection; and

“listed” means admitted to the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.]

- (2) Copies of the documents referred to in section 238(1) shall, however, be sent to [<sup>F31</sup>any entitled person] who wishes to receive them; and the Secretary of State may by regulations make provision as to the manner in which it is to be ascertained [<sup>F32</sup>(whether before or after he becomes an entitled person)] whether [<sup>F31</sup>an entitled person] wishes to receive them.

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- (3) The summary financial statement shall be derived from the company's annual accounts and the directors' report and shall be in such form and contain such information as may be specified by regulations made by the Secretary of State.
- (4) Every summary financial statement shall—
- (a) state that it is only a summary of information in the company's annual accounts and the directors' report;
  - (b) contain a statement by the company's auditors of their opinion as to whether the summary financial statement is consistent with those accounts and that report and complies with the requirements of this section and regulations made under it;
  - (c) state whether the auditors' report on the annual accounts was unqualified or qualified, and if it was qualified set out the report in full together with any further material needed to understand the qualification;
  - (d) state whether the auditors' report on the annual accounts contained a statement under—
    - (i) section 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns), or
    - (ii) section 237(3) (failure to obtain necessary information and explanations),
 and if so, set out the statement in full.
- (5) Regulations under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (6) If default is made in complying with this section or regulations made under it, the company and every officer of it who is in default is guilty of an offence and liable to a fine.
- (7) Section 240 (requirements in connection with publication of accounts) does not apply in relation to the provision to [F33 entitled persons] of a summary financial statement in accordance with this section.

#### Textual Amendments

- F28** Words in s. 251(1) inserted (4.12.1992) by S.I. 1992/3003, **reg. 3(2)(a)**.
- F29** Words in s. 251(1) substituted (4.12.1992) by S.I. 1992/3003, **reg. 3(2)(b)**.
- F30** Second paragraph of s. 251(1) substituted (4.12.1992) by S.I. 1992/3003, **reg. 3(3)**.
- F31** Words in s. 251(2) substituted (4.12.1992) by S.I. 1992/3003, **reg. 3(4)(a)**.
- F32** Words in s. 251(2) inserted (4.12.1992) by S.I. 1992/3003, **reg. 3(4)(b)**.
- F33** Words in s. 251(7) substituted (4.12.1992) by S.I. 1992/3003, **reg. 3(5)**.

#### Modifications etc. (not altering text)

- C8** S. 251 modified by S.I. 1990/355, art. 7(2)(d), Sch. 2 paras. 14(2)(d), **18**
- C9** S. 251 restricted by S.I. 1990/515, **reg. 5**
- C10** S. 251(1)–(4) applied with modifications by S.I. 1990/2570, **regs. 14(1)(2), 16(3)**
- C11** S. 251(2) amended by S.I. 1990/515, **reg. 6(1)**
- C12** S. 251(6)(7) applied with modifications by S.I. 1990/2570, **regs. 14(1)(2)(6), 16(3)**



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### Private companies

#### 252 Election to dispense with laying of accounts and reports before general meeting. **E+W+S**

- (1) A private company may elect (by elective resolution in accordance with section 379A) to dispense with the laying of accounts and reports before the company in general meeting.
- (2) An election has effect in relation to the accounts and reports in respect of the financial year in which the election is made and subsequent financial years.
- (3) Whilst an election is in force, the references in the following provisions of this Act to the laying of accounts before the company in general meeting shall be read as references to the sending of copies of the accounts to members and others under section 238(1)—
  - (a) section 235(1) (accounts on which auditors are to report),
  - (b) section 270(3) and (4) (accounts by reference to which distributions are justified), and
  - (c) section 320(2) (accounts relevant for determining company's net assets for purposes of ascertaining whether approval required for certain transactions);and the requirement in section 271(4) that the auditors' statement under that provision be laid before the company in general meeting shall be read as a requirement that it be sent to members and others along with the copies of the accounts sent to them under section 238(1).
- (4) If an election under this section ceases to have effect, section 241 applies in relation to the accounts and reports in respect of the financial year in which the election ceases to have effect and subsequent financial years.

#### Modifications etc. (not altering text)

**C13** S. 252(1)(2)(4) applied (1.7.2005) by [The Community Interest Company Regulations 2005 \(S.I. 2005/1788\)](#), [reg. 29](#)

#### <sup>F34</sup>253 Right of shareholder to require laying of accounts. **E+W+S**

- (1) Where an election under section 252 is in force, the copies of the accounts and reports sent out in accordance with section 238(1)—
  - (a) shall be sent not less than 28 days before the end of the period allowed for laying and delivering accounts and reports, and
  - (b) shall be accompanied, in the case of a member of the company, by a notice informing him of his right to require the laying of the accounts and reports before a general meeting;and section 238(5) (penalty for default) applies in relation to the above requirements as to the requirements contained in that section.
- (2) Before the end of the period of 28 days beginning with the day on which the accounts and reports are sent out in accordance with section 238(1), any member or auditor of the company may by notice in writing deposited at the registered office of the company require that a general meeting be held for the purpose of laying the accounts and reports before the company.

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- (3) If the directors do not within 21 days from the date of the deposit of such a notice proceed duly to convene a meeting, the person who deposited the notice may do so himself.
- (4) A meeting so convened shall not be held more than three months from that date and shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.
- (5) Where the directors do not duly convene a meeting, any reasonable expenses incurred by reason of that failure by the person who deposited the notice shall be made good to him by the company, and shall be recouped by the company out of any fees, or other remuneration in respect of their services, due or to become due to such of the directors as were in default.
- (6) The directors shall be deemed not to have duly convened a meeting if they convene a meeting for a date more than 28 days after the date of the notice convening it.]

#### Textual Amendments

- F34** New ss. 252, 253 inserted (subject to the saving and transitional provisions in [S.I. 1990/355, arts. 6–9, Sch. 2](#)), by [Companies Act 1989 \(c. 40, SIF 27\), ss. 1, 16–22](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

### *Unlimited companies*

#### **254 Exemption from requirement to deliver accounts and reports. E+W+S**

- (1) The directors of an unlimited company are not required to deliver accounts and reports to the registrar in respect of a financial year if the following conditions are met.
- (2) The conditions are that at no time during the relevant accounting reference period—
  - (a) has the company been, to its knowledge, a subsidiary undertaking of an undertaking which was then limited, or
  - (b) have there been, to its knowledge, exercisable by or on behalf of two or more undertakings which were then limited, rights which if exercisable by one of them would have made the company a subsidiary undertaking of it, or
  - (c) has the company been a parent company of an undertaking which was then limited.

The references above to an undertaking being limited at a particular time are to an undertaking (under whatever law established) the liability of whose members is at that time limited.

- (3) The exemption conferred by this section does not apply <sup>F35</sup>if—
  - (a) the company is a banking <sup>F36</sup>[or insurance] company or the parent company of a banking <sup>F36</sup>[or insurance] group, or
  - (b) the company is a qualifying company within the meaning of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, or
  - (c) at any time during the relevant accounting period the company carried on business as the promoter of a trading stamp scheme within the Trading Stamps Act 1964.

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at any time during the relevant accounting period the company carried on business as the promoter of a trading stamp scheme within the Trading Stamps Act 1964.

- (4) Where a company is exempt by virtue of this section from the obligation to deliver accounts, section 240 (requirements in connection with publication of accounts) has effect with the following modifications—
- (a) in subsection (3)(b) for the words from “whether statutory accounts” to “have been delivered to the registrar” substitute “that the company is exempt from the requirement to deliver statutory accounts”, and
  - (b) in subsection (5) for “as required to be delivered to the registrar under section 242” substitute “as prepared in accordance with this Part and approved by the board of directors”.

#### Textual Amendments

**F35** Words in s. 254(3) substituted (21.7.1993) by S.I. 1993/1820, reg. 10

**F36** Words in s. 254(3) substituted (19.12.1993) by S.I. 1993/3246, regs. 5(1), 6, 7, Sch. 2 para.2

### *Banking and insurance companies and groups*

#### <sup>F37</sup> 255 Special provisions for banking and insurance companies. **E+W+S**

- (1) A banking company shall prepare its individual accounts in accordance with Part I of Schedule 9 rather than Schedule 4.
- (2) An insurance company [<sup>F38</sup>shall] prepare its individual accounts in accordance with Part I of Schedule 9A rather than Schedule 4.
- (3) Accounts so prepared shall contain a statement that they are prepared in accordance with the special provisions of this Part relating to banking companies or to insurance companies, as the case may be.
- (4) In relation to the preparation of individual accounts in accordance with the special provisions of this Part, the references to Schedule 4 in section 226(4) and (5) (relationship between specific requirements and duty to give true and fair view) shall be read as references to the provisions of Part I of Schedule 9, in the case of the accounts of banking companies, or to the provisions of Part I of Schedule 9A, in the case of the accounts of insurance companies.

<sup>F39</sup>(5) .....

#### Textual Amendments

**F37** Ss. 255-255B substituted (2.12.1991) by S.I. 1991/2705, regs. 3, 9.

**F38** Word in s. 255(2) substituted (19.12.1993) by S.I. 1993/3246, regs. 2(1), 6, 7

**F39** S. 255(5) omitted (19.12.1993) by S.I. 1993/3246, regs. 2(2), 6, 7

#### Modifications etc. (not altering text)

**C14** S. 255 modified (*temp.*) (in force in accordance with s. 3 of the amending Act) by 1999 c. iv, ss. 3, 7(6)

**C15** S. 255 extended (with modifications) (19.12.1993) by S.I. 1993/3245, reg.3

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**<sup>F40</sup>255A Special provisions for banking and insurance groups. E+W+S**

- (1) The parent company of a banking group shall prepare group accounts in accordance with the provisions of this Part as modified by Part II of Schedule 9.
- (2) The parent company of an insurance group [<sup>F41</sup>shall] prepare group accounts in accordance with the provisions of this Part as modified by Part II of Schedule 9A.
- (3) Accounts so prepared shall contain a statement that they are prepared in accordance with the special provisions of this Part relating to banking groups or to insurance groups, as the case may be.
- [<sup>F42</sup>(4) References in this Part to a banking group are to a group where the parent company is a banking company or where—
  - (a) the parent company’s principal subsidiary undertakings are wholly or mainly credit institutions, and
  - (b) the parent company does not itself carry on any material business apart from the acquisition, management and disposal of interests in subsidiary undertakings.
- (5) References in this Part to an insurance group are to a group where the parent company is an insurance company or where —
  - (a) the parent company’s principal subsidiary undertakings are wholly or mainly insurance companies, and
  - (b) the parent company does not itself carry on any material business apart from the acquisition, management and disposal of interests in subsidiary undertakings.
- (5A) For the purposes of subsections (4) and (5) above—
  - (a) a parent company’s principal subsidiary undertakings are the subsidiary undertakings of the company whose results or financial position would principally affect the figures shown in the group accounts, and
  - (b) the management of interests in subsidiary undertakings includes the provision of services to such undertakings.]
  - (6) In relation to the preparation of group accounts in accordance with the special provisions of this Part:
    - (a) the references to the provisions of Schedule 4A in section 227(5) and (6) (relationship between specific requirements and duty to give true and fair view) shall be read as references to those provisions as modified by Part II of Schedule 9, in the case of the group accounts of a banking group, or Part II of Schedule 9A, in the case of the group accounts of an insurance group; and
    - (b) the reference to paragraphs 52 to 57 of Schedule 4 in section 230(2) (relief from obligation to comply with those paragraphs where group accounts prepared) shall be read as a reference to paragraphs 74 to 77, 80 and 81 of Part I of Schedule 9, in the case of the group accounts of a banking group [<sup>F43</sup>, and as a reference to paragraphs 73, 74, 79 and 80 of Part I of Schedule 9A, in the case of the group accounts of an insurance group]..

<sup>F44</sup>(7) .....

**Textual Amendments**

**F40** Ss. 255-255B substituted (2.12.1991) by S.I. 1991/2705, regs. 3, 9.

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- F41** Word in s. 255A substituted (19.12.1993) by S.I. 1993/3246, **regs. 3(1)**, 6, 7
- F42** S. 255A(4)-(5A) substituted (19.12.1993) for s. 255A(4)(5) by S.I. 1993/3246, **regs. 3(2)**, 6, 7
- F43** Words in s. 255A(6) inserted (19.12.1993) by S.I. 1993/3246, **regs. 3(3)**, 6, 7
- F44** S. 255A(7) omitted (19.12.1993) by S.I. 1993/3246, **regs. 3(4)**, 6, 7

**Modifications etc. (not altering text)**

- C16** S. 255A extended (with modifications) (19.12.1993) by S.I. 1993/3245, **reg.3**

**<sup>F45</sup>255B Modification of disclosure requirements in relation to banking company or group. E+W+S**

- (1) In relation to a banking company, or the [<sup>F46</sup>parent company of a banking group], the provisions of Schedule 5 (Disclosure of information: related undertakings) have effect subject to Part III of Schedule 9.
- (2) In relation to a banking company, or the [<sup>F47</sup>holding company of a credit institution], the provisions of Schedule 6 (Disclosure of information: emoluments and other benefits of directors and others) have effect subject to Part IV of Schedule 9.

**Textual Amendments**

- F45** Ss. 255-255B substituted (2.12.1991) by S.I. 1991/2705, **regs. 3**, 9.
- F46** Words in s. 255B(1) substituted (1.1.1993) by S.I. 1992/3178, **reg. 6**.
- F47** Words in s. 255B(2) substituted (28.2.1994) by S.I. 1994/233, **reg. 3**

**<sup>F48</sup>255C..... E+W+S**

**Textual Amendments**

- F48** S. 255C omitted (19.12.1993) by S.I. 1993/3246, **regs. 5(1)**, 6, 7, **Sch. 2 para.3**

**[<sup>F49</sup>255D Power to apply provisions to banking partnerships. E+W+S**

- (1) The Secretary of State may by regulations apply to banking partnerships, subject to such exceptions, adaptations and modifications as he considers appropriate, the provisions of this Part applying to banking companies.
- (2) A “banking partnership” means a partnership which is an authorised institution under the Banking Act 1987.
- (3) Regulations under this section shall be made by statutory instrument.
- (4) No regulations under this section shall be made unless a draft of the instrument containing the regulations has been laid before Parliament and approved by a resolution of each House.]

*Status: Point in time view as at 01/02/1996. This version of this chapter contains provisions that are not valid for this point in time.*

*Changes to legislation: Companies Act 1985, Chapter II is up to date with all changes known to be in force on or before 08 September 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

#### Textual Amendments

- F49** New s. 255D inserted (subject to the saving and transitional provisions in S.I. 1990/355, arts. 6–9, Sch. 2) by Companies Act 1989 (c. 40, SIF 27), ss. 1, 18(2), 213(2) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)

### *Welsh private companies*

#### [<sup>F50F51</sup> 255E] **Delivery of accounting documents in Welsh only.** E+W+S

- (1) The directors of a private company whose memorandum states that its registered office is to be situated in Wales may deliver to the registrar a copy of any document to which this section applies in Welsh without annexing to the copy a translation of the document into English.
- (2) This section applies to any document required to be delivered to the registrar by the following provisions of this Part—
  - (a) section 242(1) (accounts and reports to be delivered to the registrar);
  - (b) section 243 (accounts of subsidiary undertakings to be appended in certain cases); and
  - (c) paragraph 7 of Part II of Schedule 9 (banking groups: information as to undertaking in which shares held as a result of financial assistance operation).
- (3) The registrar shall, having received any document in Welsh under this section, obtain a translation of it into English; and the translation shall be regarded as a document delivered to the registrar for the purposes of sections 707A and 709<sup>F52</sup> and shall be registered by him accordingly.]

#### Textual Amendments

- F50** S. 255E inserted (1.6.1992) by S.I. 1992/1083, reg. 2(4).  
**F51** S. 255E repealed (1.2.1994) by 1993 c. 38, s. 30(5), 35(1), Sch. 2; S.I. 1994/115, art. 2(2)  
**F52** Sections 707A and 709 were inserted into the 1985 Act by section 126 of the Companies Act 1989.

**Status:**

Point in time view as at 01/02/1996. This version of this chapter contains provisions that are not valid for this point in time.

**Changes to legislation:**

Companies Act 1985, Chapter II is up to date with all changes known to be in force on or before 08 September 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.