



Companies Act 1985

1985 CHAPTER 6

PART VII

ACCOUNTS AND AUDIT

CHAPTER II

ACCOUNTS OF BANKING, SHIPPING AND INSURANCE COMPANIES

257 Special category companies and their accounts

- (1) For purposes of this Act, "special category companies" are banking companies, shipping companies and insurance companies; and—
 - (a) "banking company" means a company which is a recognised bank for the purposes of the Banking Act 1979 or is a licensed institution within that Act;
 - (b) "insurance company" means an insurance company to which Part II of the Insurance Companies Act 1982 applies; and
 - (c) "shipping company" means a company which, or a subsidiary of which, owns ships or includes among its activities the management or operation of ships and which satisfies the Secretary of State that it ought in the national interest to be treated under this Part of this Act as a shipping company.
- (2) Except as otherwise provided below, Chapter I of this Part applies to a special category company and its accounts as it applies to, and to the accounts of, any other company.
- (3) The individual accounts of a special category company, and the group accounts of a holding company which is, or has as its subsidiary, a special category company, may be prepared under this Chapter and not under Chapter I, and contain a statement that they are so prepared; and a reference in this Act to a company's accounts (individual or group) being "special category" is to their being so prepared and containing that statement.
- (4) Subject as follows, a reference in any enactment or other document to section 228 or 230 of this Act or to Schedule 4 is, in relation to special category accounts, to be read

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as a reference to section 258 or 259 or Schedule 9 (as the case may require); but this is subject to any contrary context

258 Special category individual accounts

- (1) Where a company's individual accounts are special category, section 228 and Schedule 4 do not apply, but—
 - (a) the balance sheet shall give a true and fair view of the state of affairs of the company as at the end of the financial year, and
 - (b) the profit and loss account shall give a true and fair view of the company's profit or loss for the financial year.
- (2) The balance sheet and profit and loss account shall comply with the requirements of Schedule 9, so far as applicable.
- (3) Except as expressly provided by this section or Part III of Schedule 9, the requirements of subsection (2) and that Schedule are without prejudice to the general requirements of subsection (1) or to any other requirements of this Act.
- (4) The Secretary of State may, on the application or with the consent of the company's directors, modify in relation to that company any of the requirements of this Chapter as to the matters to be stated in a company's balance sheet or profit and loss account (except the requirements of subsection (1) above), for the purpose of adapting them to the circumstances of the company.
- (5) So much of subsections (1) and (2) as relates to the profit and loss account does not apply if—
 - (a) the company has subsidiaries, and
 - (b) the profit and loss account is framed as a consolidated account dealing with all or any of the company's subsidiaries as well as the company and—
 - (i) complies with the requirements of this Act relating to consolidated profit and loss accounts (as those requirements apply in the case of special category companies), and
 - (ii) shows how much of the consolidated profit or loss for the financial year is dealt with in the company's accounts.

259 Special category group accounts

- (1) Where a holding company's group accounts are special category, those accounts shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with by those accounts as a whole, so far as concerns members of the company.
- (2) Where the financial year of a subsidiary does not coincide with that of the holding company, the group accounts shall (unless the Secretary of State on the application or with the consent of the holding company's directors otherwise directs) deal with the subsidiary's state of affairs as at the end of its relevant financial year, that is—
 - (a) if its financial year ends with that of the holding company, that financial year, and
 - (b) if not, the subsidiary's financial year ending last before the end of the financial year of the holding company dealt with in the group accounts,and with the subsidiary's profit or loss for its relevant financial year.

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- (3) Without prejudice to subsection (1), the group accounts, if prepared as consolidated accounts, shall comply with the requirements of Schedule 9 (so far as applicable), and if not so prepared shall give the same or equivalent information.
- (4) However, the Secretary of State may, on the application or with the consent of the holding company's directors, modify the requirements of Schedule 9 in relation to that company for the purpose of adapting them to the company's circumstances.

260 Notes to special category accounts

- (1) In Schedule 5 (matters to be dealt with in notes to accounts)—
 - (a) paragraph 8 in Part II (disclosure of shareholdings in other bodies corporate, not being subsidiaries), and
 - (b) Part III (financial information about subsidiaries),do not apply in the case of special category accounts.
- (2) Where an item is given in a note to special category accounts, to comply with Part V or VI of Schedule 5 (directors' emoluments, pensions etc.; emoluments of higher-paid employees), the corresponding amount for the immediately preceding financial year shall be included in the note.
- (3) If a person, being a director of a company preparing special category accounts, fails to take all reasonable steps to secure compliance with subsection (2), he is in respect of each offence liable to a fine; but in proceedings against a person for that offence it is a defence to prove that he had reasonable ground to believe, and did believe, that a competent and reliable person was charged with the duty of seeing that subsection (2) was complied with and was in a position to discharge that duty.

261 Directors' report

- (1) Where a company's individual accounts are special category, the following applies with respect to the directors' report accompanying the accounts.
- (2) Paragraphs (a) and (b) of section 235(1) do not apply as regards the contents of the report; but the report shall deal with the company's state of affairs, the amount (if any) which the directors recommend should be paid as dividend, and the amount (if any) which they propose to carry to reserves (within the meaning of Schedule 9).
- (3) Information which is otherwise required to be given in the accounts, and allowed to be given in a statement annexed, may be given in the directors' report instead of in the accounts. If any information is so given, the report is treated as forming part of the accounts for the purposes of audit, except that the auditors shall report on it only so far as it gives that information.
- (4) Where advantage is taken of subsection (3) to show an item in the directors' report instead of in the accounts, the report shall also show the corresponding amount for (or, as the case may require, as at the end of) the immediately preceding financial year of that item, except where the amount would not have had to be shown had the item been shown in the accounts.
- (5) Schedule 7 applies to the directors' report only in respect of the matters to be stated, and the information to be given, under paragraphs 1 to 5 (but excluding paragraph 2(3)) and 9, 10 and 11; and paragraph 1 of the Schedule does not apply if the company has the benefit of any provision of Part III of Schedule 9.

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- (6) The report shall, in addition to complying with those paragraphs of Schedule 7, also comply with Schedule 10. where and so far as applicable (disclosure of recent share and debenture issues; turnover and profitability ; size of labour force and wages paid; and other general matters); but in that Schedule, paragraphs 2 to 4 and 6 do not apply to a directors' report attached to any accounts unless the documents required to be comprised in those accounts include group accounts which are special category.
- (7) Section 237(6) does not apply.

262 Auditors' report

- (1) The following applies where a company is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of Schedule 9
- (2) In that case section 236(2) does not apply ; and the auditors' report shall state whether in their opinion the company's balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with this Act.