



# Companies Act 1985

## 1985 CHAPTER 6

### PART VII

#### ACCOUNTS AND AUDIT

#### CHAPTER II

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

*[<sup>F1</sup> Exemptions from audit for certain categories of small company]*

#### <sup>F2</sup>249B Cases where exemptions not available **E+W**

- (1) [<sup>F3</sup>Subject to [<sup>F4</sup>subsections (1A) to (1C)],] 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,
  - [<sup>F5</sup>(b) it was an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company,]
  - [<sup>F6</sup>(bb) it carried on an insurance market activity,]
  - (c) .....
  - (d) [<sup>F7</sup>.....]
  - (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.

[<sup>F8</sup>(1A) A company which, apart from this subsection, would fall within subsection (1)(f) by virtue of its being a subsidiary undertaking for any period within a financial year shall not be treated as so falling if it is dormant (within the meaning of [<sup>F9</sup>section 249AA]) throughout that period.]

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<sup>F10</sup>(1B) A company which, apart from this subsection, would fall within subsection (1)(f) by virtue of its being a parent company or a subsidiary undertaking for any period within a financial year, shall not be treated as so falling if throughout that period it was a member of a group meeting the conditions set out in subsection (1C).

(1C) The conditions referred to in subsection (1B) are—

- (a) that the group qualifies as a small group, in relation to the financial year within which the period falls, for the purposes of section 249 <sup>F11</sup>(or if all bodies corporate in such group were companies, would so qualify)] and is not, and was not at any time within that year, an ineligible group within the meaning of section 248(2),
- (b) that the group's aggregate turnover in that year (calculated in accordance with section 249) is <sup>F12</sup>, where the company referred to in subsection (1B) is a charity, not more than <sup>F13</sup>£700,000 net (or £840,000 gross)]<sup>F14</sup>or, where the company so referred to is not a charity], <sup>F15</sup>not more than £5.6 million net (or £6.72 million gross)]], and
- (c) that the group's aggregate balance sheet total for that year (calculated in accordance with section 249) is <sup>F16</sup>not more than £2.8 million net (or £3.36 million gross)] .]

(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 <sup>F17</sup>or by subsection (1) of section 249AA] 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 <sup>F18</sup>or by subsection (1) of section 249AA] unless its balance sheet contains a statement by the directors—

- (a) <sup>F19</sup> to the effect]that for the year in question the company was entitled to exemption under subsection (1) or (2) <sup>F20</sup>. . . of section 249A <sup>F21</sup>or subsection (1) of section 249AA],

<sup>F22</sup>(b) to the effect that members have not required the company to obtain an audit of its accounts for the year in question in accordance with subsection (2) of this section]

- (c) <sup>F19</sup> to the effect]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.

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the Companies Act 1985, Section 249B. (See end of Document for details)

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- (5) The statement required by subsection (4) shall appear in the balance sheet [<sup>F23</sup>above the signature required by section 233] 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.

#### Extent Information

- E1** This version of this provision extends to England and Wales only; a separate version has been created for Scotland only

#### Textual Amendments

- F2** Ss. 249A-249E and preceding cross-heading inserted (11.8.1994) by S.I. 1994/1935, **reg. 2**
- F3** Words in s. 249B(1) inserted (2.2.1996) by S.I. 1996/189, **reg. 10(2)**
- F4** Words in s. 249B(1) substituted (15.4.1997) by S.I. 1997/936, **reg. 3(2)**
- F5** S. 249B(1)(b) substituted (8.11.2006 with application as mentioned in reg. 1(2) of the amending S.I.) by The Companies Act 1985 (Small Companies' Accounts and Audit) Regulations 2006 (S.I. 2006/2782), **reg. 5(2)**
- F6** S. 249B(1)(bb) inserted (1.12.2001) by S.I. 2001/3649, **arts. 1, 14(1)(3)**
- F7** S. 249B(1)(d) omitted (8.11.2006 with application as mentioned in reg. 1(2) of the amending S.I.) by virtue of The Companies Act 1985 (Small Companies' Accounts and Audit) Regulations 2006 (S.I. 2006/2782), **reg. 5(3)**
- F8** S. 249B(1A) inserted (2.2.1996) by S.I. 1996/189, **reg. 10(3)**
- F9** Words in s. 249B(1A) substituted (26.5.2000 with application as mentioned in art. 1(2) of the amending S.I.) by S.I. 2000/1430, **arts. 1(2), 4(1)(2)**
- F10** S. 249B(1C)(1D) inserted (15.4.1997) by S.I. 1997/936, **reg. 3(3)**
- F11** Words in s. 249B(1C)(a) 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), 4(1)(3)(a)**
- F12** Words in s. 249B(1C)(b) 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), 4(1)(3)(b)(i)**
- F13** Words in s. 249B(1C)(b) substituted (E.W.) (27.2.2007 with application as mentioned in Sch. 10 para. 9) by Charities Act 2006 (c. 50), **ss. 32(2), 79**; S.I. 2007/309, **art. 2, Sch.** (subject to **arts. 4-13**)
- F14** Words in s. 249B(1C)(b) 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), 4(1)(3)(b)(ii)**
- F15** Words in s. 249B(1C)(b) substituted (30.1.2004) by The Companies Act 1985 (Accounts of Small and Medium-Sized Enterprises and Audit Exemption) (Amendment) Regulations 2004 (S.I. 2004/16), **reg. 5(2)**
- F16** Words in s. 249B(1C)(c) substituted (30.1.2004) by The Companies Act 1985 (Accounts of Small and Medium-Sized Enterprises and Audit Exemption) (Amendment) Regulations 2004 (S.I. 2004/16), **reg. 5(3)**
- F17** Words in s. 249B(3) 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), 4(1)(4)**
- F18** Words in s. 249B(4) 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), 4(1)(5)(a)**
- F19** Words in s. 249B(4)(a)-(c) inserted (2.2.1996) by S.I. 1996/189, **reg. 10(4)**
- F20** Words in s. 249B(4)(a) omitted (26.5.2000 with application as mentioned in art. 1(2) of the amending S.I.) by virtue of S.I. 2000/1430, **arts. 1(2), 4(1)(5)(b)**
- F21** Words in s. 249B(4)(a) 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), 4(1)(5)(b)**
- F22** S. 249B(4)(b) substituted (26.5.2000 with application as mentioned in art. 1(2) of the amending S.I.) by S.I. 2000/1430, **arts. 1(2), 4(1)(5)(c)**
- F23** Words in s. 249B(5) substituted (2.2.1996) by S.I. 1996/189, **reg. 10(5)**

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## **F<sup>2</sup>249B Cases where exemptions not available** **S**

(1) [F<sup>3</sup>Subject to [F<sup>4</sup>subsections (1A) to (1C)],]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,

[F<sup>5</sup>(b) it was an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company,]

[F<sup>6</sup>(bb) it carried on an insurance market activity,]

[F<sup>24</sup>(c) .....

(d) [F<sup>7</sup>.....

(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.

[F<sup>8</sup>(1A) A company which, apart from this subsection, would fall within subsection (1)(f) by virtue of its being a subsidiary undertaking for any period within a financial year shall not be treated as so falling if it is dormant (within the meaning of [F<sup>9</sup>section 249AA]) throughout that period.]

[F<sup>10</sup>(1B) A company which, apart from this subsection, would fall within subsection (1)(f) by virtue of its being a parent company or a subsidiary undertaking for any period within a financial year, shall not be treated as so falling if throughout that period it was a member of a group meeting the conditions set out in subsection (1C).

(1C) The conditions referred to in subsection (1B) are—

(a) that the group qualifies as a small group, in relation to the financial year within which the period falls, for the purposes of section 249 [F<sup>11</sup>(or if all bodies corporate in such group were companies, would so qualify)] and is not, and was not at any time within that year, an ineligible group within the meaning of section 248(2),

(b) that the group's aggregate turnover in that year (calculated in accordance with section 249) is [F<sup>12</sup>, where the company referred to in subsection (1B) is a charity,] not more than £350,000 net (or £420,000 gross) [F<sup>14</sup>or, where the company so referred to is not a charity, [F<sup>15</sup>not more than £5.6 million net (or £6.72 million gross)]], and

(c) that the group's aggregate balance sheet total for that year (calculated in accordance with section 249) is [F<sup>16</sup>not more than £2.8 million net (or £3.36 million gross)] .]

(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 [F<sup>17</sup>or by subsection (1) of section 249AA] in respect of the financial year to which the notice relates

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- (4) A company is not entitled to the exemption conferred by subsection (1) or (2) of section 249A <sup>[F18]</sup> or by subsection (1) of section 249AA] unless its balance sheet contains a statement by the directors—
- (a) <sup>[F19]</sup>to the effect]that for the year in question the company was entitled to exemption under subsection (1) or (2) <sup>F20</sup>. . . of section 249A <sup>[F21]</sup> or subsection (1) of section 249AA],
- <sup>[F22]</sup>(b) to the effect that members have not required the company to obtain an audit of its accounts for the year in question in accordance with subsection (2) of this section]
- (c) <sup>[F19]</sup>to the effect]that the directors acknowledge their responsibilities for—
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- (5) The statement required by subsection (4) shall appear in the balance sheet <sup>[F23]</sup>above the signature required by section 233] 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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- F23** Words in s. 249B(5) substituted (2.2.1996) by S.I. 1996/189, **reg. 10(5)**
- F24** S. 249B(1)(c) omitted (30.4.2001) by virtue of S.I. 2001/1283, **art. 3(3)(a)**

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