



Companies Act 1989

1989 CHAPTER 40

PART I

COMPANY ACCOUNTS

Supplementary provisions

19 Accounting standards.

The following section is inserted in Part VII of the Companies Act 1985, as the beginning of a Chapter III—

“CHAPTER III

SUPPLEMENTARY PROVISIONS

Accounting standards

256 Accounting standards.

- (1) In this Part “accounting standards” means statements of standard accounting practice issued by such body or bodies as may be prescribed by regulations.
- (2) References in this Part to accounting standards applicable to a company’s annual accounts are to such standards as are, in accordance with their terms, relevant to the company’s circumstances and to the accounts.
- (3) The Secretary of State may make grants to or for the purposes of bodies concerned with—
 - (a) issuing accounting standards,
 - (b) overseeing and directing the issuing of such standards, or

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- (c) investigating departures from such standards or from the accounting requirements of this Act and taking steps to secure compliance with them.
- (4) Regulations under this section may contain such transitional and other supplementary and incidental provisions as appear to the Secretary of State to be appropriate.”.

20 Power to alter accounting requirements.

The following section is inserted in Part VII of the ^{M1}Companies Act 1985—

“ Power to alter accounting requirements

257 Power of Secretary of State to alter accounting requirements.

- (1) The Secretary of State may by regulations made by statutory instrument modify the provisions of this Part.
- (2) Regulations which—
 - (a) add to the classes of documents required to be prepared, laid before the company in general meeting or delivered to the registrar,
 - (b) restrict the classes of company which have the benefit of any exemption, exception or special provision,
 - (c) require additional matter to be included in a document of any class, or
 - (d) otherwise render the requirements of this Part more onerous,
 shall not be made unless a draft of the instrument containing the regulations has been laid before Parliament and approved by a resolution of each House.
- (3) Otherwise, a statutory instrument containing regulations under this section shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (4) Regulations under this section may—
 - (a) make different provision for different cases or classes of case,
 - (b) repeal and re-enact provisions with modifications of form or arrangement, whether or not they are modified in substance,
 - (c) make consequential amendments or repeals in other provisions of this Act, or in other enactments, and
 - (d) contain such transitional and other incidental and supplementary provisions as the Secretary of State thinks fit.
- (5) Any modification by regulations under this section of section 258 or Schedule 10A (parent and subsidiary undertakings) does not apply for the purposes of enactments outside the Companies Acts unless the regulations so provide.”.

Marginal Citations

M1 1985 c. 6.

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21 Parent and subsidiary undertakings.

(1) The following section is inserted in Part VII of the ^{M2}Companies Act 1985—

“ Parent and subsidiary undertakings

258 Parent and subsidiary undertakings.

- (1) The expressions “parent undertaking” and “subsidiary undertaking” in this Part shall be construed as follows; and a “parent company” means a parent undertaking which is a company.
 - (2) An undertaking is a parent undertaking in relation to another undertaking, a subsidiary undertaking, if—
 - (a) it holds a majority of the voting rights in the undertaking, or
 - (b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors, or
 - (c) it has the right to exercise a dominant influence over the undertaking—
 - (i) by virtue of provisions contained in the undertaking’s memorandum or articles, or
 - (ii) by virtue of a control contract, or
 - (d) it is a member of the undertaking and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in the undertaking.
 - (3) For the purposes of subsection (2) an undertaking shall be treated as a member of another undertaking—
 - (a) if any of its subsidiary undertakings is a member of that undertaking, or
 - (b) if any shares in that other undertaking are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings.
 - (4) An undertaking is also a parent undertaking in relation to another undertaking, a subsidiary undertaking, if it has a participating interest in the undertaking and—
 - (a) it actually exercises a dominant influence over it, or
 - (b) it and the subsidiary undertaking are managed on a unified basis.
 - (5) A parent undertaking shall be treated as the parent undertaking of undertakings in relation to which any of its subsidiary undertakings are, or are to be treated as, parent undertakings; and references to its subsidiary undertakings shall be construed accordingly.
 - (6) Schedule 10A contains provisions explaining expressions used in this section and otherwise supplementing this section.”.
- (2) Schedule 9 to this Act (parent and subsidiary undertakings: supplementary provisions) is inserted after Schedule 10 to the ^{M3}Companies Act 1985, as Schedule 10A.

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M2 1985 c. 6.

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M3 1985 c. 6.

22 Other interpretation provisions.

The following sections are inserted in Part VII of the ^{M4}Companies Act 1985—

“ Other interpretation provisions

259 Meaning of “undertaking” and related expressions.

- (1) In this Part “undertaking” means—
 - (a) a body corporate or partnership, or
 - (b) an unincorporated association carrying on a trade or business, with or without a view to profit.
- (2) In this Part references to shares—
 - (a) in relation to an undertaking with a share capital, are to allotted shares;
 - (b) in relation to an undertaking with capital but no share capital, are to rights to share in the capital of the undertaking; and
 - (c) in relation to an undertaking without capital, are to interests—
 - (i) conferring any right to share in the profits or liability to contribute to the losses of the undertaking, or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.
- (3) Other expressions appropriate to companies shall be construed, in relation to an undertaking which is not a company, as references to the corresponding persons, officers, documents or organs, as the case may be, appropriate to undertakings of that description.

This is subject to provision in any specific context providing for the translation of such expressions.
- (4) References in this Part to “fellow subsidiary undertakings” are to undertakings which are subsidiary undertakings of the same parent undertaking but are not parent undertakings or subsidiary undertakings of each other.
- (5) In this Part “group undertaking”, in relation to an undertaking, means an undertaking which is—
 - (a) a parent undertaking or subsidiary undertaking of that undertaking, or
 - (b) a subsidiary undertaking of any parent undertaking of that undertaking.

260 Participating interests.

- (1) In this Part a “participating interest” means an interest held by an undertaking in the shares of another undertaking which it holds on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest.
- (2) A holding of 20 per cent. or more of the shares of an undertaking shall be presumed to be a participating interest unless the contrary is shown.

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- (3) The reference in subsection (1) to an interest in shares includes—
- (a) an interest which is convertible into an interest in shares, and
 - (b) an option to acquire shares or any such interest;
- and an interest or option falls within paragraph (a) or (b) notwithstanding that the shares to which it relates are, until the conversion or the exercise of the option, unissued.
- (4) For the purposes of this section an interest held on behalf of an undertaking shall be treated as held by it.
- (5) For the purposes of this section as it applies in relation to the expression “participating interest” in section 258(4) (definition of “subsidiary undertaking”)—
- (a) there shall be attributed to an undertaking any interests held by any of its subsidiary undertakings, and
 - (b) the references in subsection (1) to the purpose and activities of an undertaking include the purposes and activities of any of its subsidiary undertakings and of the group as a whole.
- (6) In the balance sheet and profit and loss formats set out in Part I of Schedule 4, “participating interest” does not include an interest in a group undertaking.
- (7) For the purposes of this section as it applies in relation to the expression “participating interest”—
- (a) in those formats as they apply in relation to group accounts, and
 - (b) in paragraph 20 of Schedule 4A (group accounts: undertakings to be accounted for as associated undertakings),
- the references in subsections (1) to (4) to the interest held by, and the purposes and activities of, the undertaking concerned shall be construed as references to the interest held by, and the purposes and activities of, the group (within the meaning of paragraph 1 of that Schedule).

261 Notes to the accounts.

- (1) Information required by this Part to be given in notes to a company’s annual accounts may be contained in the accounts or in a separate document annexed to the accounts.
- (2) References in this Part to a company’s annual accounts, or to a balance sheet or profit and loss account, include notes to the accounts giving information which is required by any provision of this Act, and required or allowed by any such provision to be given in a note to company accounts.

262 Minor definitions.

- (1) In this Part—
- “annual accounts” means—
- (a) the individual accounts required by section 226, and
 - (b) any group accounts required by section 227,
- (but see also section 230 (treatment of individual profit and loss account where group accounts prepared));

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“annual report”, in relation to a company, means the directors’ report required by section 234;

“balance sheet date” means the date as at which the balance sheet was made up;

“capitalisation”, in relation to work or costs, means treating that work or those costs as a fixed asset;

“credit institution” means an undertaking carrying on a deposit-taking business within the meaning of the Banking Act 1987;

“fixed assets” means assets of a company which are intended for use on a continuing basis in the company’s activities, and “current assets” means assets not intended for such use;

“group” means a parent undertaking and its subsidiary undertakings;

“included in the consolidation”, in relation to group accounts, or “included in consolidated group accounts”, means that the undertaking is included in the accounts by the method of full (and not proportional) consolidation, and references to an undertaking excluded from consolidation shall be construed accordingly;

“purchase price”, in relation to an asset of a company or any raw materials or consumables used in the production of such an asset, includes any consideration (whether in cash or otherwise) given by the company in respect of that asset or those materials or consumables, as the case may be;

“qualified”, in relation to an auditors’ report, means that the report does not state the auditors’ unqualified opinion that the accounts have been properly prepared in accordance with this Act or, in the case of an undertaking not required to prepare accounts in accordance with this Act, under any corresponding legislation under which it is required to prepare accounts;

“true and fair view” refers—

- (a) in the case of individual accounts, to the requirement of section 226(2), and
- (b) in the case of group accounts, to the requirement of section 227(3);

“turnover”, in relation to a company, means the amounts derived from the provision of goods and services falling within the company’s ordinary activities, after deduction of—

- (i) trade discounts,
- (ii) value added tax, and
- (iii) any other taxes based on the amounts so derived.

- (2) In the case of an undertaking not trading for profit, any reference in this Part to a profit and loss account is to an income and expenditure account; and references to profit and loss and, in relation to group accounts, to a consolidated profit and loss account shall be construed accordingly.
- (3) References in this Part to “realised profits” and “realised losses”, in relation to a company’s accounts, are to such profits or losses of the company as fall to be treated as realised in accordance with principles generally accepted, at the time when the accounts are prepared, with respect to the determination for accounting purposes of realised profits or losses.

This is without prejudice to—

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- (a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice, or
- (b) any specific provision for the treatment of profits or losses of any description as realised.

262A Index of defined expressions.

The following Table shows the provisions of this Part defining or otherwise explaining expressions used in this Part (other than expressions used only in the same section or paragraph)—

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M4 1985 c. 6.

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