



Companies Act 2006

2006 CHAPTER 46

PART 16

AUDIT

CHAPTER 1

REQUIREMENT FOR AUDITED ACCOUNTS

Exemption from audit: small companies

477 Small companies: conditions for exemption from audit

- (1) A company that meets the following conditions in respect of a financial year is exempt from the requirements of this Act relating to the audit of accounts for that year.
- (2) The conditions are—
 - (a) that the company qualifies as a small company in relation to that year,
 - (b) that its turnover in that year is not more than £5.6 million, and
 - (c) that its balance sheet total for that year is not more than £2.8 million.
- (3) For a period which is a company's financial year but not in fact a year the maximum figure for turnover shall be proportionately adjusted.
- (4) For the purposes of this section—
 - (a) whether a company qualifies as a small company shall be determined in accordance with section 382(1) to (6), and
 - (b) "balance sheet total" has the same meaning as in that section.
- (5) This section has effect subject to—
 - section 475(2) and (3) (requirements as to statements to be contained in balance sheet),
 - section 476 (right of members to require audit),

Status: This is the original version (as it was originally enacted).

section 478 (companies excluded from small companies exemption), and section 479 (availability of small companies exemption in case of group company).

478 Companies excluded from small companies exemption

A company is not entitled to the exemption conferred by section 477 (small companies) if it was at any time within the financial year in question—

- (a) a public company,
- (b) a company that—
 - (i) is an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c. 52) or an employers' association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5)).

479 Availability of small companies exemption in case of group company

- (1) A company is not entitled to the exemption conferred by section 477 (small companies) in respect of a financial year during any part of which it was a group company unless—
 - (a) the conditions specified in subsection (2) below are met, or
 - (b) subsection (3) applies.
- (2) The conditions are—
 - (a) that the group—
 - (i) qualifies as a small group in relation to that financial year, and
 - (ii) was not at any time in that year an ineligible group;
 - (b) that the group's aggregate turnover in that year is not more than £5.6 million net (or £6.72 million gross);
 - (c) that the group's aggregate balance sheet total for that year is not more than £2.8 million net (or £3.36 million gross).
- (3) A company is not excluded by subsection (1) if, throughout the whole of the period or periods during the financial year when it was a group company, it was both a subsidiary undertaking and dormant.
- (4) In this section—
 - (a) “group company” means a company that is a parent company or a subsidiary undertaking, and
 - (b) “the group”, in relation to a group company, means that company together with all its associated undertakings.

For this purpose undertakings are associated if one is a subsidiary undertaking of the other or both are subsidiary undertakings of a third undertaking.

- (5) For the purposes of this section—
 - (a) whether a group qualifies as small shall be determined in accordance with section 383 (companies qualifying as small: parent companies);

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- (b) “ineligible group” has the meaning given by section 384(2) and (3);
 - (c) a group’s aggregate turnover and aggregate balance sheet total shall be determined as for the purposes of section 383;
 - (d) “net” and “gross” have the same meaning as in that section;
 - (e) a company may meet any relevant requirement on the basis of either the gross or the net figure.
- (6) The provisions mentioned in subsection (5) apply for the purposes of this section as if all the bodies corporate in the group were companies.