

Development costs shown as asset of company to be set off against company's distribution profits

120. (1) Subject to the following provisions of this section, where development costs are shown as an asset in a company's financial statements, any amount shown in respect of those costs shall be treated for the purposes of section 117 as a realised loss.

(2) Subsection (1) shall not apply to any part of the amount referred to in that subsection representing an unrealised profit made on revaluation of the costs so referred to.

(3) Subsection (1) shall not apply if—

(a) there are special circumstances justifying the directors of the company concerned in deciding that the amount mentioned in respect of development costs in the company's financial statements shall not be treated as required by that subsection; and

(b) it is stated—

(i) where the company prepares Companies Act entity financial statements, in the note to the statements required by paragraph 23(2) of Schedule 3; or

(ii) where the company prepares IFRS entity financial statements, in any note to those statements,

that that amount is not to be so treated, and the note explains the circumstances relied upon to justify the decision of the directors to that effect.