

CHAPTER 16 Special audit exemption for dormant companies

Dormant company audit exemption

365. (1) Subject to subsection (5), subsection (3) applies to a company in respect of its statutory financial statements for a financial year if the directors of the company are of the opinion that the company will satisfy the condition specified in subsection (2) in respect of that year and decide that the company should avail itself of subsection (3) in that year (and that decision is recorded by the directors in the minutes of the meeting concerned).

(2) The condition mentioned in subsection (1) is that in respect of the year concerned the company is dormant that is to say, during that year—

- (a) it has no significant accounting transaction, and
- (b) its assets and liabilities comprise only permitted assets and liabilities.

(3) The following provisions (the “dormant company audit exemption”) have effect where, by virtue of the preceding subsections, this subsection applies in respect of the statutory financial statements of a company for a particular financial year—

(a) without prejudice to section 384 (2), section 333 (obligation to have statutory financial statements audited) shall not apply to the company in respect of that financial year, and

(b) unless and until circumstances, if any, arise in that financial year by reason of which the company is not entitled to that audit exemption in respect of that financial year, the provisions specified in subsection (4) shall not apply to the company in respect of that year.

(4) The provisions mentioned in subsection (3) are those provisions of this Act, being provisions that—

(a) confer any powers on statutory auditors or require anything to be done by or to or as respects statutory auditors, or

(b) make provision on the basis of a report of statutory auditors having been prepared in relation to the statutory financial statements of a company in a financial year,

and, without prejudice to the generality of the foregoing, include the provisions specified in the Table to section 360 in so far, and only in so far, as they make provision of the foregoing kind.

(5) Section 363 shall apply for the purposes of this section as it applies for the purpose of section 358 with the substitution in subsection (1)—

- (a) for the reference to section 358 being complied with of a reference to the condition specified in

subsection (2) of this section being satisfied, and

(b) for the reference to the audit exemption referred to in section 358 of a reference to the dormant company audit exemption.

(6) Section 335 shall apply for the purposes of this section as it applies for the purpose of section 358 with—

(a) the substitution, in subsection (1), of the following paragraphs for paragraphs (a) and (b):

“(a) the company is availing itself of the audit exemption of Part 6 of the Companies Act 2014’);

(b) the company is availing itself of the exemption on the grounds that the condition specified in section 365 (2) is satisfied;”,

and

(b) the omission of subsections (1)(c) and (7).

(7) In this section—

“permitted assets and liabilities” are investments in shares of, and amounts due to or from, other group undertakings;

“significant accounting transaction” means a transaction that is required by sections 281 and 282 to be entered in the company's accounting records.

(8) In determining whether or when a company is dormant for the purposes of this section, there shall be disregarded—

(a) any transaction arising from the taking of shares in the company by a subscriber to the constitution as a result of an undertaking of his or her in connection with the formation of the company,

(b) any transaction consisting of the payment of—

(i) a fee to the Registrar on a change of the company's name,

(ii) a fee to the Registrar on the re-registration of the company, or

(iii) a fee to the Registrar for the registration of an annual return (6)).