STATUTORY INSTRUMENTS

2005 No. 2281

COMPANIES

The Companies (Summary Financial Statement) (Amendment) Regulations 2005

Made - - - -	*3rd August 2005*
Laid before Parliament	*15th August 2005*
Coming into force - -	*1st October 2005*

The Secretary of State, in exercise of the powers conferred upon him by section 251(1), (2) and (3) of the Companies Act 1985(**a**), hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Companies (Summary Financial Statement) (Amendment) Regulations 2005, and shall come into force on 1st October 2005.

(2) In these Regulations, "the 1995 Regulations" means the Companies (Summary Financial Statement) Regulations 1995(**b**).

Interpretation

2.—(1) Regulation 2 of the 1995 Regulations (interpretation)(**c**) is amended as follows.

(2) In the definition of "full accounts and reports"—

(a) after "(if any)" insert ", the operating and financial review (if any)", and

(b) for "or directors' remuneration report" substitute ", directors' remuneration report or operating and financial review".

(3) Omit the definition of "listed public company".

Cases in which sending of summary financial statement prohibited

3.—(1) Regulation 3 of the 1995 Regulations (cases in which sending of summary financial statement prohibited) is amended as follows.

(2) In paragraph (1), omit "listed public".

(3) After paragraph (1) insert—

(**a**) 1985 c.6. Section 251 was substituted by section 15 of the Companies Act 1989 (c.40), and amended by regulation 3 of S.I. 1992/3003, by article 14 of S.I. 2000/3373, by article 15 of S.I. 2001/3649, by regulation 8 of S.I. 2002/1986, by regulation 11 of S.I. 2004/2947, and by regulation 12 of S.I. 2005/1011.

(**b**) S.I. 1995/2092, as amended by S.I. 2000/3373 and S.I. 2002/1780.

(**c**) Regulation 2 was amended by article 32(2) of, and paragraphs 1 and 2 in Schedule 2 to, S.I. 2000/3373 and by regulation 2 of S.I. 2002/1780.

"(1A) A company may not send a summary financial statement to an entitled person instead of copies of its full accounts and reports in respect of any financial year for which no auditors' report has been made under section 235 of the 1985 Act (**a**)."

Ascertainment of entitled person's wishes

4.—(1) Regulation 4 of the 1995 Regulations (ascertainment of entitled person's wishes)(**b**) is amended as follows.

(2) In paragraph (1), omit " listed public".

Consultation by notice

5.—(1) Regulation 5 of the 1995 Regulations (consultation by notice)(**c**) is amended as follows.

(2) In paragraph (1)—

(a) omit " listed public",

(b) in sub-paragraph (b), for "directors' report for that year" substitute ", in the case of a quoted company, directors' remuneration report for that year, and may contain additional information derived from the directors' report or (in the case of a quoted company) the operating and financial review for that year",

(c) after sub-paragraph (b) insert—

"(bb) in the case of a quoted company, state that, if a full copy of its operating and financial review is not sent to the entitled person, that review will be published on a web site, and that the summary financial statement will state the address of the web site, the place on it where the review may be accessed, and how it may be accessed;" and

(d) for sub-paragraph (e) substitute—

"(e) state that the summary financial statement will contain a statement by the company's auditors as to whether—

(i) the summary financial statement is consistent with the company's annual accounts and, in the case of a quoted company, directors' remuneration report, and where information derived from the directors' report or operating and financial review is included in the statement, with that report or review,

(ii) the summary financial statement complies with the requirements of section 251 of the 1985 Act (**d**) and of these Regulations, and

(iii) the auditors' report on the company's annual accounts was qualified or unqualified."

Relevant consultation

6.—(1) Regulation 6 (relevant consultation)(**e**) is amended as follows.

(2) In paragraph (1), omit " listed public".

(**a**) Section 235 was substituted by section 9 of the Companies Act 1989, and amended by regulation 4 of S.I. 2002/1986, by regulation 6 of S.I. 2004/2947 and by regulation 3 of S.I. 2005/1011.

(**b**) Regulation 4 was amended by article 32(2) of, and paragraphs 1 and 3 in Schedule 2 to, S.I. 2000/3373.

(**c**) Regulation 5 was amended by article 32(2) of, and paragraphs 1 and 4 in Schedule 2 to, S.I. 2000/3373.

(**d**) Section 251 was substituted by section 15 of the Companies Act 1989 (c.40), and amended by regulation 3 of S.I. 1992/3003, by article 14 of S.I. 2000/3373, by article 15 of S.I. 2001/3649, by regulation 8 of S.I. 2002/1986, by regulation 11 of S.I. 2004/2947, and by regulation 12 of S.I. 2005/1011.

(**e**) Regulation 6 was amended by article 32(2) of, and paragraphs 1 and 5 in Schedule 2 to, S.I. 2000/3373.

Provisions applying to all companies and groups

7.—(1) Regulation 7 of the 1995 Regulations (provisions applying to all companies and groups)(**a**) is amended as follows.

(2) In paragraph (1), omit " listed public".

Companies and groups other than banking and insurance companies and groups

8.—(1) Regulation 8 of the 1995 Regulations (companies and groups other than banking and insurance companies and groups) is amended as follows.

(2) In paragraphs (1) and (2)—

(a) at the beginning insert "Subject to regulation 10A,", and

(b) omit "listed public".

Banking companies and groups

9.—(1) Regulation 9 of the 1995 Regulations (banking companies and groups) is amended as follows.

(2) In paragraphs (1) and (2)—

(a) at the beginning insert "Subject to regulation 10A,", and

(b) omit "listed public".

Insurance companies and groups

10.—(1) Regulation 10 of the 1995 Regulations (insurance companies and groups) is amended as follows.

(2) In paragraphs (1) and (2)—

(a) at the beginning insert "Subject to regulation 10A,", and

(b) omit "listed public".

Companies and groups preparing accounts in accordance with the IAS Regulation

11. After regulation 10 of the 1995 Regulations insert—

> "**10A.** The summary financial statement of a company that is required to prepare group accounts and prepares IAS group accounts or, in the case of a company that is not required to prepare group accounts, prepares IAS individual accounts, must be in the form and contain the information required by Schedule 3A to these Regulations, so far as applicable to such a company."

Form and content of summary financial statement of non-banking or insurance companies and groups

12.—(1) Schedule 1 to the 1995 Regulations (form and content of summary financial statement of non-banking or insurance companies and groups)(**b**) is amended as follows.

(2) In paragraph 1(2) after "(if any)" insert ", the operating and financial review (if any)".

(3) Omit paragraph 2 (summary directors' report).

(4) In paragraph 3(3), omit item (i) (dividends).

(5) After paragraph 3 insert—

(**a**) Regulation 7 was amended by article 32(2) of, and paragraphs 1 and 6 in Schedule 2 to, S.I. 2000/3373 and by regulation 3 of S.I. 2002/1780.

(**b**) Schedule 1 was amended by regulations 4 and 5 of S.I. 2002/1780.

"*Dividends*

3A. The summary financial statement shall also contain the information concerning recognised and proposed dividends included in the full accounts and reports."

(6) At the end of paragraph 4(1) insert ", and shall also contain the information required by paragraph 3A above".

(7) In paragraph 7, for "after any adjustments" to the end substitute "taking account of any adjustments to corresponding amounts made in the full accounts and reports".

Form and content of summary financial statement of banking companies and groups

13.—(1) Schedule 2 to the 1995 Regulations (form and content of summary financial statement of banking companies and groups)(**a**) is amended as follows.

(2) In paragraph 1(2), after "annual accounts" insert ", the directors' remuneration report (if any), the operating and financial review (if any)".

(3) Omit paragraph 2 (summary directors' report).

(4) In paragraph 3(3), omit item (k) (dividends).

(5) After paragraph 3 insert—

"*Dividends*

3A. The summary financial statement shall also contain the information concerning recognised and proposed dividends included in the full accounts and reports. "

(6) At the end of paragraph 4(1) insert ", and shall also contain the information required by paragraph 3A above".

(7) In paragraph 7, for "after any adjustments" to the end substitute "taking account of any adjustments to corresponding amounts made in the full accounts and reports".

Form and content of summary financial statement of insurance companies and groups

14.—(1) Schedule 3 to the 1995 Regulations (form and content of summary financial statement of insurance companies and groups)(**b**) is amended as follows.

(2) In paragraph 2(2), after "annual accounts" insert ", the directors' remuneration report (if any), the operating and financial review (if any)".

(3) Omit paragraph 3 (summary directors' report).

(4) In paragraph 4(3), omit item (l) (dividends).

(5) After paragraph 4 insert—

"*Dividends*

4A. The summary financial statement shall also contain the information concerning recognised and proposed dividends included in the full accounts and reports. "

(6) At the end of paragraph 5(1) insert ", and shall also contain the information required by paragraph 4A above".

(7) In paragraph 8, for "after any adjustments" to the end substitute "taking account of any adjustments to corresponding amounts made in the full accounts and reports".

(**a**) Schedule 2 was amended by regulation 6 of S.I. 2002/1780.
(**b**) Schedule 3 was amended by regulation 7 of S.I. 2002/1780.

Form and content of summary financial statement for companies and groups preparing IAS accounts

15. The Schedule to these Regulations (form and content of summary financial statement of companies and groups preparing accounts in accordance with international accounting standards) is inserted after Schedule 3 to the 1995 Regulations as Schedule 3A.

Transitional provision

16.—(1) Where a company (whether or not a listed public company) has, before 1st October 2005, ascertained in accordance with regulation 4 of the unamended 1995 Regulations that an entitled person does not wish to receive copies of the full accounts and reports, it may send a summary financial statement to such an entitled person in place of the full accounts and reports.

(2) In paragraph (1)—

(a) "unamended 1995 Regulations" means the 1995 Regulations without the amendments contained in these Regulations, and disregarding any references to the company being a listed public company, and

(b) "full accounts and reports" is construed in accordance with regulation 2 of the unamended 1995 Regulations.

Repeal of spent provisions

17. Omit the following provisions of the 1995 Regulations—

(a) regulation 11(2) (saving in respect of financial years beginning before 23rd December 1994), and

(b) paragraphs 1 and 9 to 12 of Schedule 3 (spent transitional provisions concerning insurance companies and groups).

Gerry Sutcliffe
Parliamentary Under Secretary of State
Department of Trade and Industry

3rd August 2005

SCHEDULE

Regulation 15

[Schedule 3A to the 1995 Regulations]

"

SCHEDULE 3A

Regulation 10A

FORM AND CONTENT OF SUMMARY FINANCIAL STATEMENT OF COMPANIES AND GROUPS PREPARING ACCOUNTS IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

Form of summary financial statement

1.—(1) The summary financial statement shall contain the information prescribed by the following paragraphs of this Schedule in such order, and under such headings, as the directors consider appropriate.

(2) The summary financial statement shall contain any other information necessary to ensure that the statement is consistent with the full accounts and reports for the year in question.

(3) Nothing in this Schedule shall be construed as prohibiting the inclusion in the summary financial statement of any additional information derived from the company's annual accounts, directors' report, directors' remuneration report (if any) or operating and financial review (if any).

Summary of paragraph 1(1) of Schedule 6 to the 1985 Act and of the directors' remuneration report

2. The summary financial statement shall contain the whole of, or a summary of—

(a) that portion of the notes to the accounts for the year in question which set out the information required by paragraph 1(1) of Part I of Schedule 6 to the 1985 Act (aggregate amount of directors' emoluments etc); and

(b) to the extent that the company is required to produce a directors' remuneration report, those portions of the directors' remuneration report for the year in question which set out the matters required by paragraphs 3 (statement of company's policy on directors' remuneration) and 4 (performance graph) of Schedule 7A to the 1985 Act.

Summary profit loss and account: companies not required to prepare group accounts

3.—(1) The summary financial statement shall contain, in the case of a company the directors of which are not required to prepare group accounts for the financial year, a summary profit and loss account showing either—

(a) each of the headings and sub-totals included in the full profit and loss account in accordance with international accounting standards, or

(b) where the directors consider it appropriate, a combination of such headings and sub-totals where they are of a similar nature.

(2) The summary financial statement shall also contain the information concerning recognised and proposed dividends included in the full accounts and reports.

(3) In this paragraph, and in paragraphs 4 to 6 below, the expressions "headings and "subtotals" have the same meaning as in international accounting standard 1 on the presentation of financial statements.

Summary profit and loss account: companies required to prepare group accounts

4.—(1) The summary financial statement shall contain, in the case of a company the directors of which are required to prepare group accounts for the financial year, a summary consolidated profit and loss account showing either—

(a) each of the headings and sub-totals included in the full consolidated profit and loss account in accordance with international accounting standards, or

(b) where the directors consider it appropriate, a combination of such headings and sub-totals where they are of a similar nature.

(2) The summary financial statement shall also contain the information concerning recognised and proposed dividends included in the full accounts and reports.

Summary balance sheet: companies not required to prepare group accounts

5. The summary financial statement shall contain, in the case of a company the directors of which are not required to prepare group accounts for the financial year, a summary balance sheet showing either—

(a) each of the headings and sub-totals included in the full balance sheet in accordance with international accounting standards, or

(b) where the directors consider it appropriate, a combination of such headings and sub-totals where they are of a similar nature.

Summary balance sheet: companies required to prepare group accounts

6. The summary financial statement shall contain, in the case of a company the directors of which are required to prepare group accounts for the financial year, a summary consolidated balance sheet showing either—

(a) each of the headings and sub-totals included in the full consolidated balance sheet in accordance with international accounting standards, or

(b) where the directors consider it appropriate, a combination of such headings and sub-totals where they are of a similar nature.

Corresponding amounts

7.—(1) In respect of every item shown in the summary profit and loss account or summary consolidated profit and loss account (as the case may be), or in the summary balance sheet or summary consolidated balance sheet (as the case may be),the corresponding amount must be shown for the immediately preceding financial year.

(2) For the purposes of sub-paragraph (1), "the corresponding amount" is the amount shown in the summary financial statement for that year or which would have been so shown had such a statement been prepared for that year, taking account of any adjustments to corresponding amounts made in the full accounts and reports."

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 1st October 2005, amend the Companies (Summary Financial Statement) Regulations 1995 (S.I. 1995/2092) ("the 1995 Regulations"). The provisions in the Regulations reflect amendments made to section 251 of the Companies Act 1985 (c.6) (provision of summary financial statements to shareholders) by regulation 11 of the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004 (S.I. 2004/2947) and regulation 12 of the Companies Act 1985 (Operating and Financial Review and Directors' Report etc.) Regulations 2005 (S.I. 2005/1011).

Regulations 2 to 11 extend to all companies the ability to send out summary financial statements ("SFS") to members and others ("entitled persons") instead of the full accounts and reports, subject to the conditions set out in the 1995 Regulations as amended being satisfied. Previously only listed public companies as defined in regulation 2(1) of the 1995 Regulations have had that ability. One of the conditions that must be satisfied is that the full accounts and reports for the year in question must have been audited (regulation 3(1A) of the 1995 Regulations as inserted by regulation 3 of these Regulations).

New regulation 10A of, and Schedule 3A to, the 1995 Regulations, inserted by regulations 11 and 15 of, and the Schedule to, these Regulations, specify the form and content of the SFS of companies and groups which prepare their accounts in accordance with international accounting standards.

Under the Regulations (regulations 12(3), 13(3) and 14(3)) a company's SFS need no longer contain a summary of the directors' report. Companies may however include such a summary if they wish to and, in the case of quoted companies (as defined in section 262(1) of the Companies Act 1985), may include a summary of the operating and financial review (regulations 12(2), 13(2) and 14(2), and paragraph 1(3) of new Schedule 3A inserted by regulation 15).

The form of a consultation by notice under regulation 5 of the 1995 Regulations is amended by regulation 5 of these Regulations to take account of these changes, and so that the notice includes a statement that if a full copy of the operating and financial review prepared by a quoted company is not sent to an entitled person it will be published on a web site, stating where and how to access that web site.

The content of SFS is amended to reflect the fact that, as a result of amendments to Part 7 of the Companies Act 1985 made by S.I. 2004/2947, information concerning a company's dividends is now contained in the notes to a company's accounts rather than in the profit and loss account (regulations 12(4) to (6), 13(4) to (6) and 14(4) to (6)). For companies preparing accounts in accordance with international accounting standards dividend disclosures are required by paragraphs 3(2) and 4(2) of new Schedule 3A to the 1995 Regulations inserted by regulation 15 of these Regulations.

Amendments to the content of SFS also reflect changes to the provisions on adjustment of prior year amounts contained in regulations 3, 5, 8 and 10 of the Companies Act 1985 (Investment Companies and Accounting and Audit Amendments) Regulations 2005 (regulations 12(7), 13(7), and 14(7)).

Regulation 16 contains a transitional provision so that where a company (whether or not a listed public company) has before 1st October 2005 ascertained that an entitled person does not wish to receive full accounts and reports then that is valid for the purposes of the amended 1995 Regulations.

Regulation 17 repeals provisions of the 1995 Regulations that are spent.

A full regulatory impact assessment of the effect that these Regulations will have on the costs of business is available from the Department of Trade and Industry, Corporate Law and Governance Directorate, 5th Floor 1 Victoria Street, London, SW1H 0ET (they are also available electronically at www.dti.gov.uk/cld).Copies have also been placed in the libraries of both Houses of Parliament.

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2005 No. 2281

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The Companies (Summary Financial Statement) (Amendment) Regulations 2005

£3.00

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under the authority and superintendence of Carol Tullo, Controller of Her Majesty's
Stationery Office and Queen's Printer of Acts of Parliament.
E1227 8/2005 151227T 19585

ISBN 0-11-073248-0

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