Companies Act 2006

2006 CHAPTER 46

PART 23

DISTRIBUTIONS

CHAPTER 3

SUPPLEMENTARY PROVISIONS

Accounting matters

841 Realised losses and profits and revaluation of fixed assets

(1) The following provisions have effect for the purposes of this Part.

(2) The following are treated as realised losses—

(a) in the case of Companies Act accounts, provisions of a kind specified for the purposes of this paragraph by regulations under section 396 (except revaluation provisions);

(b) in the case of IAS accounts, provisions of any kind (except revaluation provisions).

(3) A “revaluation provision” means a provision in respect of a diminution in value of a fixed asset appearing on a revaluation of all the fixed assets of the company, or of all of its fixed assets other than goodwill.

(4) For the purpose of subsections (2) and (3) any consideration by the directors of the value at a particular time of a fixed asset is treated as a revaluation provided—

(a) the directors are satisfied that the aggregate value at that time of the fixed assets of the company that have not actually been revalued is not less than the aggregate amount at which they are then stated in the company’s accounts, and

(b) it is stated in a note to the accounts—

(i) that the directors have considered the value of some or all of the fixed assets of the company without actually revaluing them,

(ii) that they are satisfied that the aggregate value of those assets at the time of their consideration was not less than the aggregate amount at which they were then stated in the company's accounts, and

(iii) that accordingly, by virtue of this subsection, amounts are stated in the accounts on the basis that a revaluation of fixed assets of the company is treated as having taken place at that time.

(5) Where—

(a) on the revaluation of a fixed asset, an unrealised profit is shown to have been made, and

(b) on or after the revaluation, a sum is written off or retained for depreciation of that asset over a period,

an amount equal to the amount by which that sum exceeds the sum which would have been so written off or retained for the depreciation of that asset over that period, if that profit had not been made, is treated as a realised profit made over that period.

842 Determination of profit or loss in respect of asset where records incomplete

In determining for the purposes of this Part whether a company has made a profit or loss in respect of an asset where—

(a) there is no record of the original cost of the asset, or

(b) a record cannot be obtained without unreasonable expense or delay,

its cost is taken to be the value ascribed to it in the earliest available record of its value made on or after its acquisition by the company.

843 Realised profits and losses of long-term insurance business

(1) The provisions of this section have effect for the purposes of this Part as it applies in relation to an authorised insurance company carrying on long-term business.

(2) An amount included in the relevant part of the company's balance sheet that—

(a) represents a surplus in the fund or funds maintained by it in respect of its long-term business, and

(b) has not been allocated to policy holders or, as the case may be, carried forward unappropriated in accordance with asset identification rules made under section 142(2) of the Financial Services and Markets Act 2000 (c. 8),

is treated as a realised profit.

(3) For the purposes of subsection (2)—

(a) the relevant part of the balance sheet is that part of the balance sheet that represents accumulated profit or loss;

(b) a surplus in the fund or funds maintained by the company in respect of its long-term business means an excess of the assets representing that fund or those funds over the liabilities of the company attributable to its long-term business, as shown by an actuarial investigation.

(4) A deficit in the fund or funds maintained by the company in respect of its long-term business is treated as a realised loss.

For this purpose a deficit in any such fund or funds means an excess of the liabilities of the company attributable to its long-term business over the assets representing that fund or those funds, as shown by an actuarial investigation.

(5) Subject to subsections (2) and (4), any profit or loss arising in the company's long-term business is to be left out of account.

(6) For the purposes of this section an "actuarial investigation" means an investigation made into the financial condition of an authorised insurance company in respect of its long-term business—

(a) carried out once in every period of twelve months in accordance with rules made under Part 10 of the Financial Services and Markets Act 2000, or

(b) carried out in accordance with a requirement imposed under section 166 of that Act,

by an actuary appointed as actuary to the company.

(7) In this section "long-term business" means business that consists of effecting or carrying out contracts of long-term insurance.

This definition must be read with section 22 of the Financial Services and Markets Act 2000, any relevant order under that section and Schedule 2 to that Act.

844 Treatment of development costs

(1) Where development costs are shown or included as an asset in a company's accounts, any amount shown or included in respect of those costs is treated—

(a) for the purposes of section 830 (distributions to be made out of profits available for the purpose) as a realised loss, and

(b) for the purposes of section 832 (distributions by investment companies out of accumulated revenue profits) as a realised revenue loss.

This is subject to the following exceptions.

(2) Subsection (1) does not apply to any part of that amount representing an unrealised profit made on revaluation of those costs.

(3) Subsection (1) does not apply if—

(a) there are special circumstances in the company's case justifying the directors in deciding that the amount there mentioned is not to be treated as required by subsection (1),

(b) it is stated—

(i) in the case of Companies Act accounts, in the note required by regulations under section 396 as to the reasons for showing development costs as an asset, or

(ii) in the case of IAS accounts, in any note to the accounts,

that the amount is not to be so treated, and

(c) the note explains the circumstances relied upon to justify the decision of the directors to that effect.