

Limited Companies Medium Companies Definitions

As with small companies, a medium-sized company is determined by its turnover, balance sheet total (meaning the total of the assets) and average number of employees.

There are some specific provisions applicable to medium-sized companies and it can also choose to submit reduced information to Companies House.

Some companies cannot qualify and these include

- A public limited company (including private PLC).
- A company carrying on an insurance market activity.
- A person carrying on a regulated activity under Part 4 of the Financial Services and Markets Act 2000.
- A member of an ineligible group (i.e. one of the above).

In addition companies which are part of a group which has members who are public companies or financial services companies cannot qualify as medium-sized for accounting purposes.

To qualify as a medium-sized company, it must meet at least two of the following conditions:

- annual turnover must be no more than £25.9 million;
- the balance sheet total must be no more than £12.9 million;
- the average number of employees must be no more than 250

A company will qualify in its first accounting period if it fulfils the conditions in that period and in any subsequent period a company must fulfil the conditions in that period and the period before.

However if a company which qualified as medium-sized in one period no longer meets the criteria in the next period, it may continue to claim the exemptions available for the following period. If the company then reverts back to being medium-sized by meeting the criteria the exemption will continue uninterrupted.

Abbreviated accounts of a medium-sized company must include:

- the abbreviated profit and loss account (full if preparing IAS accounts)
- the full balance sheet
- a special auditor's report
- the directors' report

- Notes to the accounts.

The special auditor's report should state that in the auditor's opinion the company is entitled to deliver abbreviated accounts in accordance with section 445(3) of the Companies Act 2006 and that they have been properly prepared in accordance with the regulations made by the Secretary of State.

The balance sheet (and if appropriate, the directors' report) must contain a statement that the accounts have been prepared in accordance with the special provisions of section 445(3) Companies Act 2006 in regard to medium-sized companies.