
STATUTORY INSTRUMENTS

1990 No. 593

The Companies (Northern Ireland) Order 1990

PART I

INTRODUCTORY

Title and commencement

1.—(1) This Order may be cited as the Companies (Northern Ireland) Order 1990 and shall come into operation on such day or days as the Head of the Department may by order appoint.

(2) An order under paragraph (1) may—

- (a) contain such transitional provisions and savings as appear to the Head of the Department to be necessary or expedient;
- (b) amend any statutory provision which refers to the coming into operation of a provision brought into operation by the order so as to substitute a reference to the actual date on which it comes into operation.

Interpretation

2.—(1) Subject to Articles 44(1) and 51(4) and (5), the Interpretation Act (Northern Ireland) 1954⁽¹⁾ shall apply to Article 1 and the following provisions of this Order as it applies to a Measure of the Northern Ireland Assembly.

(2) In this Order—

“the Department” means the Department of Economic Development;

“the 1986 Order” means the Companies (Northern Ireland) Order 1986⁽²⁾;

“statutory provision” has the meaning assigned to it by section 1(f) of the Interpretation Act (Northern Ireland) 1954.

PART II

COMPANY ACCOUNTS

Introduction

Introduction

3. The provisions of this Part amend Part VIII of the Companies (Northern Ireland) Order 1986 (accounts and audit) by—

(1) 1954 c. 33 (N.I.)

(2) 1986 NI 6

- (a) inserting new provisions in place of Articles 229 to 270 of that Order, and
- (b) amending or replacing Schedules 4 to 10 to that Order and inserting new Schedules.

Provisions applying to companies generally

Accounting records

4. The following Articles are inserted in Part VIII of the 1986 Order at the beginning of Chapter I (provisions applying to companies generally)—

“Accounting records

Duty to keep accounting records

229.—(1) Every company shall keep accounting records which are sufficient to show and explain the company’s transactions and are such as to—

- (a) disclose with reasonable accuracy, at any time, the financial position of the company at that time, and
- (b) enable the directors to ensure that any balance sheet and profit and loss account prepared under this Part complies with the requirements of this Order.

(2) The accounting records shall in particular contain—

- (a) entries from day to day of all sums of money received and expended by the company, and the matters in respect of which the receipt and expenditure takes place, and
- (b) a record of the assets and liabilities of the company.

(3) If the company’s business involves dealing in goods, the accounting records shall contain—

- (a) statements of stock held by the company at the end of each financial year of the company,
- (b) all statements of stocktakings from which any such statement of stock as is mentioned in sub-paragraph (a) has been or is to be prepared, and
- (c) except in the case of goods sold by way of ordinary retail trade, statements of all goods sold and purchased, showing the goods and the buyers and sellers in sufficient detail to enable all these to be identified.

(4) A parent company which has a subsidiary undertaking in relation to which the above requirements do not apply shall take reasonable steps to secure that the undertaking keeps such accounting records as to enable the directors of the parent company to ensure that any balance sheet and profit and loss account prepared under this Part complies with the requirements of this Order.

(5) If a company fails to comply with any provision of this Article, every officer of the company who is in default is guilty of an offence unless he shows that he acted honestly and that in the circumstances in which the company’s business was carried on the default was excusable.

(6) A person guilty of an offence under this Article is liable to imprisonment or a fine, or both.

Where and for how long records to be kept

230.—(1) A company’s accounting records shall be kept at its registered office or such other place as the directors think fit, and shall at all times be open to inspection by the company’s officers.

(2) If accounting records are kept at a place outside Northern Ireland, accounts and returns with respect to the business dealt with in the accounting records so kept shall be sent to, and kept at, a place in Northern Ireland, and shall at all times be open to such inspection.

(3) The accounts and returns to be sent to Northern Ireland shall be such as to—

- (a) disclose with reasonable accuracy the financial position of the business in question at intervals of not more than 6 months; and
- (b) enable the directors to ensure that the company’s balance sheet and profit and loss account comply with the requirements of this Order.

(4) If a company fails to comply with any provision of paragraphs (1) to (3), every officer of the company who is in default is guilty of an offence, and liable to imprisonment or a fine or both, unless he shows that he acted honestly and that in the circumstances in which the company’s business was carried on the default was excusable.

(5) Accounting records which a company is required by Article 229 to keep shall be preserved by it—

- (a) in the case of a private company, for 3 years from the date on which they are made, and
- (b) in the case of a public company, for 6 years from the date on which they are made.

This is subject to any provision contained in rules made under Article 359 of the Insolvency (Northern Ireland) Order 1989(3) (insolvency rules).

(6) An officer of a company is guilty of an offence, and liable to imprisonment or a fine or both, if he fails to take all reasonable steps for securing compliance by the company with paragraph (5) or intentionally causes any default by the company under that paragraph.

(7) Until the coming into operation of Article 359 of the Insolvency (Northern Ireland) Order 1989, paragraph (5) shall have effect with the substitution of “Article 613 (winding-up rules)” for “Article 359 of the Insolvency (Northern Ireland) Order 1989 (insolvency rules).”.

A company’s financial year and accounting reference periods

5. The following Articles are inserted in Part VIII of the 1986 Order—

“A company’s financial year and accounting reference periods

A company’s financial year

231.—(1) A company’s “financial year” is determined as follows.

(2) Its first financial year begins with the first day of its first accounting reference period and ends with the last day of that period or such other date, not more than 7 days before or after the end of that period, as the directors may determine.

(3) Subsequent financial years begin with the day immediately following the end of the company’s previous financial year and end with the last day of its next accounting reference

period or such other date, not more than 7 days before or after the end of that period, as the directors may determine.

(4) In relation to an undertaking which is not a company, references in this Order to its financial year are to any period in respect of which a profit and loss account of the undertaking is required to be made up (by its constitution or by the law under which it is established), whether that period is a year or not.

(5) The directors of a parent company shall secure that, except where in their opinion there are good reasons against it, the financial year of each of its subsidiary undertakings coincides with the company's own financial year.

Accounting reference periods and accounting reference date

232.—(1) A company's accounting reference periods are determined according to its accounting reference date.

(2) A company may, at any time before the end of the period of 9 months beginning with the date of its incorporation, by notice in the prescribed form given to the registrar specify its accounting reference date, that is, the date on which its accounting reference period ends in each calendar year.

(3) Failing such notice, a company's accounting reference date is—

- (a) in the case of a company incorporated before the coming into operation of Article 5 of the Companies (Northern Ireland) Order 1990, 31st March;
- (b) in the case of a company incorporated after the coming into operation of that Article, the last day of the month in which the anniversary of its incorporation falls.

(4) A company's first accounting reference period is the period of more than 6 months, but not more than 18 months, beginning with the date of its incorporation and ending with its accounting reference date.

(5) Its subsequent accounting reference periods are successive periods of 12 months beginning immediately after the end of the previous accounting reference period and ending with its accounting reference date.

(6) This Article has effect subject to the provisions of Article 233 relating to the alteration of accounting reference dates and the consequences of such alteration.

Alteration of accounting reference date

233.—(1) A company may by notice in the prescribed form given to the registrar specify a new accounting reference date having effect in relation to the company's current accounting reference period and subsequent periods.

(2) A company may by notice in the prescribed form given to the registrar specify a new accounting reference date having effect in relation to the company's previous accounting reference period and subsequent periods if—

- (a) the company is a subsidiary undertaking or parent undertaking of another company and the new accounting reference date coincides with the accounting reference date of that other company, or
- (b) an administration order under Part III of the Insolvency (Northern Ireland) Order 1989(4) is in force.

A company's "previous accounting reference period" means that immediately preceding its current accounting reference period.

(3) The notice shall state whether the current or previous accounting reference period—

- (a) is to be shortened, so as to come to an end on the first occasion on which the new accounting reference date falls or fell after the beginning of the period, or
- (b) is to be extended, so as to come to an end on the second occasion on which that date falls or fell after the beginning of the period.

(4) A notice under paragraph (1) stating that the current accounting reference period is to be extended is ineffective, except as mentioned below, if given less than 5 years after the end of an earlier accounting reference period of the company which was extended by virtue of this Article.

This paragraph does not apply—

- (a) to a notice given by a company which is a subsidiary undertaking or parent undertaking of another company and the new accounting reference date coincides with that of the other company, or
- (b) where an administration order is in force under Part III of the Insolvency (Northern Ireland) Order 1989,

or where the Department directs that it should not apply, which it may do with respect to a notice which has been given or which may be given.

(5) A notice under paragraph (2)(a) may not be given if the period allowed for laying and delivering accounts and reports in relation to the previous accounting reference period has already expired.

(6) An accounting reference period may not in any case, unless an administration order is in force under Part III of the Insolvency (Northern Ireland) Order 1989(5), be extended so as to exceed 18 months and a notice under this Article is ineffective if the current or previous accounting reference period as extended in accordance with the notice would exceed that limit.”.

Individual company accounts

6.—(1) The following Article is inserted in Part VIII of the 1986 Order—

“Annual accounts

Duty to prepare individual company accounts

234.—(1) The directors of every company shall prepare for each financial year of the company—

- (a) a balance sheet as at the last day of the year, and
- (b) a profit and loss account.

Those accounts are referred to in this Part as the company's "individual accounts".

(2) The balance sheet shall give a true and fair view of the state of affairs of the company as at the end of the financial year; and the profit and loss account shall give a true and fair view of the profit or loss of the company for the financial year.

(3) A company's individual accounts shall comply with the provisions of Schedule 4 as to the form and content of the balance sheet and profit and loss account and additional information to be provided by way of notes to the accounts.

(4) Where compliance with the provisions of that Schedule, and the other provisions of this Order as to the matters to be included in a company's individual accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information shall be given in the accounts or in a note to them.

(5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors shall depart from that provision to the extent necessary to give a true and fair view.

Particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.”.

(2) Schedule 4 to the 1986 Order (form and content of company accounts) is amended in accordance with Schedule 1 to this Order.

Group accounts

7.—(1) The following Article is inserted in Part VIII of the 1986 Order—

“Duty to prepare group accounts

235.—(1) If at the end of a financial year a company is a parent company the directors shall, as well as preparing individual accounts for the year, prepare group accounts.

(2) Group accounts shall be consolidated accounts comprising—

- (a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings, and
- (b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings.

(3) The accounts shall give a true and fair view of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

(4) A company's group accounts shall comply with the provisions of Schedule 4A as to the form and content of the consolidated balance sheet and consolidated profit and loss account and additional information to be provided by way of notes to the accounts.

(5) Where compliance with the provisions of that Schedule, and the other provisions of this Order, as to the matters to be included in a company's group accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information shall be given in the accounts or in a note to them.

(6) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors shall depart from that provision to the extent necessary to give a true and fair view.

Particulars of any such departure, the reasons for it and its effect shall be given in a note to the accounts.”.

(2) Schedule 2 to this Order (form and content of group accounts) is inserted after Schedule 4 to the 1986 Order, as Schedule 4A.

(3) The following Articles are inserted in Part VIII of the 1986 Order—

“Exemption for parent companies included in accounts of larger group

236.—(1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its immediate parent undertaking is established under the law of a member State of the European Economic Community, in the following cases—

- (a) where the company is a wholly-owned subsidiary of that parent undertaking;
- (b) where that parent undertaking holds more than 50 per cent. of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate—
 - (i) more than half of the remaining shares in the company, or
 - (ii) 5 per cent. of the total shares in the company.

Such notice must be served not later than 6 months after the end of the financial year before that to which it relates.

(2) Exemption is conditional upon compliance with all of the following conditions—

- (a) that the company is included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking established under the law of a member State of the European Economic Community;
- (b) that those accounts are drawn up and audited, and that parent undertaking’s annual report is drawn up, according to that law, in accordance with the provisions of the Seventh Directive (83/349/EEC);
- (c) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
- (d) that the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and—
 - (i) if it is incorporated outside Northern Ireland, the country in which it is incorporated, and
 - (ii) if it is unincorporated, the address of its principal place of business;
- (e) that the company delivers to the registrar, within the period allowed for delivering its individual accounts, copies of those group accounts and of the parent undertaking’s annual report, together with the auditors’ report on them; and
- (f) that if any document comprised in accounts and reports delivered in accordance with sub-paragraph (e) is in a language other than English, there is annexed to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.

(3) The exemption does not apply to a company any of whose securities are listed on a stock exchange in any member State of the European Economic Community.

(4) Shares held by directors of a company for the purpose of complying with any share qualification requirement shall be disregarded in determining for the purposes of paragraph (1)

(a) whether the company is a wholly-owned subsidiary.

(5) For the purposes of paragraph (1)(b) shares held by a wholly-owned subsidiary of the parent undertaking, or held on behalf of the parent undertaking or a wholly-owned subsidiary, shall be attributed to the parent undertaking.

(6) In paragraph (3) “securities” includes—

- (a) shares and stock,
- (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness,

- (c) warrants or other instruments entitling the holder to subscribe for securities falling within sub-paragraph (a) or (b), and
- (d) certificates or other instruments which confer—
 - (i) property rights in respect of a security falling within sub-paragraph (a), (b) or (c),
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates, or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.

Subsidiary undertakings included in the consolidation

237.—(1) Subject to the exceptions authorised or required by this Article, all the subsidiary undertakings of the parent company shall be included in the consolidation.

(2) A subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view; but two or more undertakings may be excluded only if they are not material taken together.

- (3) In addition, a subsidiary undertaking may be excluded from consolidation where—
- (a) severe long-term restrictions substantially hinder the exercise of the rights of the parent company over the assets or management of that undertaking, or
 - (b) the information necessary for the preparation of group accounts cannot be obtained without disproportionate expense or undue delay, or
 - (c) the interest of the parent company is held exclusively with a view to subsequent resale and the undertaking has not previously been included in consolidated group accounts prepared by the parent company.

The reference in sub-paragraph (a) to the rights of the parent company and the reference in sub-paragraph (c) to the interest of the parent company are, respectively, to rights and interests held by or attributed to the company for the purposes of Article 266 (definition of “parent undertaking”) in the absence of which it would not be the parent company.

(4) Where the activities of one or more subsidiary undertakings are so different from those of other undertakings to be included in the consolidation that their inclusion would be incompatible with the obligation to give a true and fair view, those undertakings shall be excluded from consolidation.

This paragraph does not apply merely because some of the undertakings are industrial, some commercial and some provide services, or because they carry on industrial or commercial activities involving different products or provide different services.

(5) Where all the subsidiary undertakings of a parent company fall within the above exclusions, no group accounts are required.”.

- (4) The following Article is inserted in Part VIII of the 1986 Order—

“Treatment of individual profit and loss account where group accounts prepared

238.—(1) The following provisions apply with respect to the individual profit and loss account of a parent company where—

- (a) the company is required to prepare and does prepare group accounts in accordance with this Order, and

- (b) the notes to the company's individual balance sheet show the company's profit or loss for the financial year determined in accordance with this Order.
- (2) The profit and loss account need not contain the information specified in paragraphs 52 to 57 of Schedule 4 (information supplementing the profit and loss account).
- (3) The profit and loss account must be approved in accordance with Article 241(1) (approval by board of directors) but may be omitted from the company's annual accounts for the purposes of the other provisions below in this Chapter.
- (4) The exemption conferred by this Article is conditional upon its being disclosed in the company's annual accounts that the exemption applies.”.

Additional disclosure required in notes to accounts

8.—(1) The following Article is inserted in Part VIII of the 1986 Order—

“Disclosure required in notes to accounts: related undertakings

239.—(1) The information specified in Schedule 5 shall be given in notes to a company's annual accounts.

(2) Where the company is not required to prepare group accounts, the information specified in Part I of that Schedule shall be given; and where the company is required to prepare group accounts, the information specified in Part II of that Schedule shall be given.

(3) The information required by Schedule 5 need not be disclosed with respect to an undertaking which—

- (a) is established under the law of a country outside the United Kingdom, or
- (b) carries on business outside the United Kingdom,

if in the opinion of the directors of the company the disclosure would be seriously prejudicial to the business of that undertaking, or to the business of the company or any of its subsidiary undertakings, and the Department agrees that the information need not be disclosed.

This paragraph does not apply in relation to the information required under paragraph 5(2), 6 or 20 of that Schedule.

(4) Where advantage is taken of paragraph (3), that fact shall be stated in a note to the company's annual accounts.

(5) If the directors of the company are of the opinion that the number of undertakings in respect of which the company is required to disclose information under any provision of Schedule 5 is such that compliance with that provision would result in information of excessive length being given, the information need only be given in respect of—

- (a) the undertakings whose results or financial position, in the opinion of the directors, principally affected the figures shown in the company's annual accounts, and
- (b) undertakings excluded from consolidation under Article 237(3) or (4).

This paragraph does not apply in relation to the information required under paragraph 10 or 29 of that Schedule.

(6) If advantage is taken of paragraph (5)—

- (a) there shall be included in the notes to the company's annual accounts a statement that the information is given only with respect to such undertakings as are mentioned in that paragraph, and
- (b) the full information (both that which is disclosed in the notes to the accounts and that which is not) shall be annexed to the company's next annual return.

For this purpose the “next annual return” means that next delivered to the registrar after the accounts in question have been approved under Article 241.

(7) If a company fails to comply with paragraph (6)(b), the company and every officer of it who is in default is liable to a fine and, for continued contravention, to a daily default fine.”.

(2) Schedule 3 to this Order (disclosure of information: related undertakings) is substituted for Schedule 5 to the 1986 Order.

(3) The following Article is inserted in Part VIII of the 1986 Order—

“Disclosure required in notes to accounts: emoluments and other benefits of directors and others

240.—(1) The information specified in Schedule 6 shall be given in notes to a company’s annual accounts.

(2) In that Schedule—

Part I relates to the emoluments of directors (including emoluments waived), pensions of directors and past directors, compensation for loss of office to directors and past directors and sums paid to third parties in respect of directors’ services,

Part II relates to loans, quasi-loans and other dealings in favour of directors and connected persons, and

Part III relates to transactions, arrangements and agreements made by the company or a subsidiary undertaking for officers of the company other than directors.

(3) It is the duty of any director of a company, and any person who is or has at any time in the preceding 5 years been an officer of the company, to give notice to the company of such matters relating to himself as may be necessary for the purposes of Part I of Schedule 6.

(4) A person who makes default in complying with paragraph (3) commits an offence and is liable to a fine.”.

(4) Schedule 6 to the 1986 Order is amended in accordance with Schedule 4 to this Order.

Approval and signing of accounts

9. The following Article is inserted in Part VIII of the 1986 Order—

“Approval and signing of accounts

Approval and signing of accounts

241.—(1) A company’s annual accounts shall be approved by the board of directors and signed on behalf of the board by a director of the company.

(2) The signature shall be on the company’s balance sheet.

(3) Every copy of the balance sheet which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed the balance sheet on behalf of the board.

(4) The copy of the company’s balance sheet which is delivered to the registrar shall be signed on behalf of the board by a director of the company.

(5) If annual accounts are approved which do not comply with the requirements of this Order, every director of the company who is party to their approval and who knows that they do not comply or is reckless as to whether they comply is guilty of an offence and liable to a fine.

For this purpose every director of the company at the time the accounts are approved shall be taken to be a party to their approval unless he shows that he took all reasonable steps to prevent their being approved.

(6) If a copy of the balance sheet—

(a) is laid before the company, or otherwise circulated, published or issued, without the balance sheet having been signed as required by this Article or without the required statement of the signatory's name being included, or

(b) is delivered to the registrar without being signed as required by this Article,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.”.

Directors' report

10.—(1) The following Articles are inserted in Part VIII of the 1986 Order—

“Directors' report

Duty to prepare directors' report

242.—(1) The directors of a company shall for each financial year prepare a report—

(a) containing a fair review of the development of the business of the company and its subsidiary undertakings during the financial year and of their position at the end of it, and

(b) stating the amount (if any) which they recommend should be paid as dividend and the amount (if any) which they propose to carry to reserves.

(2) The report shall state the names of the persons who, at any time during the financial year, were directors of the company, and the principal activities of the company and its subsidiary undertakings in the course of the year and any significant change in those activities in the year.

(3) The report shall also comply with Schedule 7 as regards the disclosure of the matters mentioned there.

(4) In Schedule 7—

Part I relates to matters of a general nature, including changes in asset values, directors' shareholdings and other interests and contributions for political and charitable purposes,

Part II relates to the acquisition by a company of its own shares or a charge on them,

Part III relates to the employment, training and advancement of disabled persons,

Part IV relates to the health, safety and welfare at work of the company's employees, and

Part V relates to the involvement of employees in the affairs, policy and performance of the company.

(5) In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' report and the contents of the report, every person who was a director of the company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.

(6) In proceedings against a person for an offence under this Article it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

Approval and signing of directors' report

242A.—(1) The directors' report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

(2) Every copy of the directors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.

(3) The copy of the directors' report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.

(4) If a copy of the directors' report—

(a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this Article or without the required statement of the signatory's name being included, or

(b) is delivered to the registrar without being signed as required by this Article,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.”.

(2) Schedule 7 to the 1986 Order (matters to be included in directors' report) is amended in accordance with Schedule 5 to this Order.

Auditors' report

11. The following Articles are inserted in Part VIII of the 1986 Order—

*“Auditors' report***Auditors' report**

243.—(1) A company's auditors shall make a report to the company's members on all annual accounts of the company of which copies are to be laid before the company in general meeting during their tenure of office.

(2) The auditors' report shall state whether in the auditors' opinion the annual accounts have been properly prepared in accordance with this Order, and in particular whether a true and fair view is given—

(a) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,

(b) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,

(c) in the case of group accounts, of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

(3) The auditors shall consider whether the information given in the directors' report for the financial year for which the annual accounts are prepared is consistent with those accounts; and if they are of opinion that it is not they shall state that fact in their report.

Signature of auditors' report

244.—(1) The auditors' report shall state the names of the auditors and be signed by them.

(2) Every copy of the auditors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the names of the auditors.

(3) The copy of the auditors' report which is delivered to the registrar shall state the names of the auditors and be signed by them.

(4) If a copy of the auditors' report—

(a) is laid before the company, or otherwise circulated, published or issued, without the required statement of the auditors' names, or

(b) is delivered to the registrar without the required statement of the auditors' names or without being signed as required by this Article,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.

(5) References in this Article to signature by the auditors are, where the office of auditor is held by a body corporate or partnership, to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.

Duties of auditors

245.—(1) A company's auditors shall, in preparing their report, carry out such investigations as will enable them to form an opinion as to—

(a) whether proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them, and

(b) whether the company's individual accounts are in agreement with the accounting records and returns.

(2) If the auditors are of opinion that proper accounting records have not been kept, or that proper returns adequate for their audit have not been received from branches not visited by them, or if the company's individual accounts are not in agreement with the accounting records and returns, the auditors shall state that fact in their report.

(3) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.

(4) If the requirements of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) are not complied with in the annual accounts, the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.”.

Publication of accounts and reports

12. The following Articles are inserted in Part VIII of the 1986 Order—

“Publication of accounts and reports

Persons entitled to receive copies of accounts and reports

246.—(1) A copy of the company's annual accounts, together with a copy of the directors' report for that financial year and of the auditors' report on those accounts, shall be sent to—

(a) every member of the company,

(b) every holder of the company's debentures, and
 (c) every person who is entitled to receive notice of general meetings,
 not less than 21 days before the date of the meeting at which copies of those documents are to be laid in accordance with Article 249.

(2) Copies need not be sent—

- (a) to a person who is not entitled to receive notices of general meetings and of whose address the company is unaware, or
- (b) to more than one of the joint holders of shares or debentures none of whom is entitled to receive such notices, or
- (c) in the case of joint holders of shares or debentures some of whom are, and some not, entitled to receive such notices, to those who are not so entitled.

(3) In the case of a company not having a share capital, copies need not be sent to anyone who is not entitled to receive notices of general meetings of the company.

(4) If copies are sent less than 21 days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting.

(5) If default is made in complying with this Article, the company and every officer of it who is in default is guilty of an offence and liable to a fine.

(6) Where copies are sent out under this Article over a period of days, references elsewhere in this Order to the day on which copies are sent out shall be construed as references to the last day of that period.

Right to demand copies of accounts and reports

247.—(1) Any member of a company and any holder of a company's debentures is entitled to be furnished, on demand and without charge, with a copy of the company's last annual accounts and directors' report and a copy of the auditors' report on those accounts.

(2) The entitlement under this Article is to a single copy of those documents, but that is in addition to any copy to which a person may be entitled under Article 246.

(3) If a demand under this Article is not complied with within 7 days, the company and every officer of it who is in default is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.

(4) If in proceedings for such an offence the issue arises whether a person had already been furnished with a copy of the relevant document under this Article, it is for the defendant to prove that he had.

Requirements in connection with publication of accounts

248.—(1) If a company publishes any of its statutory accounts, they must be accompanied by the relevant auditors' report under Article 243.

(2) A company which is required to prepare group accounts for a financial year shall not publish its statutory individual accounts for that year without also publishing with them its statutory group accounts.

(3) If a company publishes non-statutory accounts, it shall publish with them a statement indicating—

- (a) that they are not the company's statutory accounts,

- (b) whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been delivered to the registrar,
- (c) whether the company's auditors have made a report under Article 243 on the statutory accounts for any such financial year, and
- (d) whether any report so made was qualified or contained a statement under Article 245(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations);

and it shall not publish with the non-statutory accounts any auditors' report under Article 243.

(4) For the purposes of this Article a company shall be regarded as publishing a document if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

(5) References in this Article to a company's statutory accounts are to its individual or group accounts for a financial year as required to be delivered to the registrar under Article 250; and references to the publication by a company of "non-statutory accounts" are to the publication of—

- (a) any balance sheet or profit and loss account relating to, or purporting to deal with, a financial year of the company, or
- (b) an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the company and its subsidiary undertakings relating to, or purporting to deal with, a financial year of the company,

otherwise than as part of the company's statutory accounts.

(6) A company which contravenes any provision of this Article, and any officer of it who is in default, is guilty of an offence and liable to a fine."

Laying and delivering of accounts and reports

13. The following Articles are inserted in Part VIII of the 1986 Order—

"Laying and delivering of accounts and reports

Accounts and reports to be laid before company in general meeting

249.—(1) The directors of a company shall in respect of each financial year lay before the company in general meeting copies of the company's annual accounts, the directors' report and the auditors' report on those accounts.

(2) If the requirements of paragraph (1) are not complied with before the end of the period allowed for laying and delivering accounts and reports, every person who immediately before the end of that period was a director of the company is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.

(3) It is a defence for a person charged with such an offence to prove that he took all reasonable steps for securing that those requirements would be complied with before the end of that period.

(4) It is not a defence to prove that the documents in question were not in fact prepared as required by this Part.

Accounts and reports to be delivered to the registrar

250.—(1) The directors of a company shall in respect of each financial year deliver to the registrar a copy of the company's annual accounts together with a copy of the directors' report for that year and a copy of the auditors' report on those accounts.

If any document comprised in those accounts or reports is in a language other than English, the directors shall annex to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.

(2) If the requirements of paragraph (1) are not complied with before the end of the period allowed for laying and delivering accounts and reports, every person who immediately before the end of that period was a director of the company is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.

(3) Further, if the directors of the company fail to make good the default within 14 days after the service of a notice on them requiring compliance, the court may on the application of any member or creditor of the company or of the registrar, make an order directing the directors (or any of them) to make good the default within such time as may be specified in the order.

The court's order may provide that all costs of and incidental to the application shall be borne by the directors.

(4) It is a defence for a person charged with an offence under this Article to prove that he took all reasonable steps for securing that the requirements of paragraph (1) would be complied with before the end of the period allowed for laying and delivering accounts and reports.

(5) It is not a defence in any proceedings under this Article to prove that the documents in question were not in fact prepared as required by this Part.

Civil penalty for failure to deliver accounts

250A.—(1) Where the requirements of Article 250(1) are not complied with before the end of the period allowed for laying and delivering accounts and reports, the company is liable to a civil penalty.

This is in addition to any liability of the directors under Article 250.

(2) The amount of the penalty is determined by reference to the length of the period between the end of the period allowed for laying and delivering accounts and reports and the day on which the requirements are complied with, and whether the company is a public or private company, as follows:—

Length of period	Public company	Private company
Not more than 3 months.	£500	£100
More than 3 months but not more than 6 months.	£1,000	£250
More than 6 months but not more than 12 months.	£2,000	£500
More than 12 months.	£5,000	£1,000

(3) The penalty may be recovered by the registrar and shall be paid by him into the Consolidated Fund.

(4) It is not a defence in proceedings under this Article to prove that the documents in question were not in fact prepared as required by this Part.

Accounts of subsidiary undertakings to be appended in certain cases

251.—(1) The following provisions apply where at the end of the financial year a parent company has as a subsidiary undertaking—

- (a) a body corporate incorporated outside Northern Ireland which does not have an established place of business in Northern Ireland, or
- (b) an unincorporated undertaking,

which is excluded from consolidation in accordance with Article 237(4) (undertaking with activities different from the undertakings included in the consolidation).

(2) There shall be appended to the copy of the company's annual accounts delivered to the registrar in accordance with Article 250 a copy of the undertaking's latest individual accounts and, if it is a parent undertaking, its latest group accounts.

If the accounts appended are required by law to be audited, a copy of the auditors' report shall also be appended.

(3) The accounts must be for a period ending not more than 12 months before the end of the financial year for which the parent company's accounts are made up.

(4) If any document required to be appended is in a language other than English, the directors shall annex to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.

(5) The above requirements are subject to the following qualifications—

- (a) an undertaking is not required to prepare for the purposes of this Article accounts which would not otherwise be prepared, and if no accounts satisfying the above requirements are prepared none need be appended;
- (b) a document need not be appended if it would not otherwise be required to be published, or made available for public inspection, anywhere in the world, but in that case the reason for not appending it shall be stated in a note to the company's accounts;
- (c) where an undertaking and all its subsidiary undertakings are excluded from consolidation in accordance with Article 237(4), the accounts of such of the subsidiary undertakings of that undertaking as are included in its consolidated group accounts need not be appended.

(6) Paragraphs (2) to (4) of Article 250 (penalties, &c. in case of default) apply in relation to the requirements of this Article as they apply in relation to the requirements of paragraph (1) of that Article.

Period allowed for laying and delivering accounts and reports

252.—(1) The period allowed for laying and delivering accounts and reports is—

- (a) for a private company, 10 months after the end of the relevant accounting reference period, and
- (b) for a public company, 7 months after the end of that period.

This is subject to the following provisions of this Article.

(2) If the relevant accounting reference period is the company's first and is a period of more than 12 months, the period allowed is—

- (a) 10 months or 7 months, as the case may be, from the first anniversary of the incorporation of the company, or
- (b) 3 months from the end of the accounting reference period,

whichever last expires.

(3) Where a company carries on business, or has interests, outside the United Kingdom, the Channel Islands and the Isle of Man, the directors may, in respect of any financial year, give to the registrar before the end of the period allowed by paragraph (1) or (2) a notice in the prescribed form—

- (a) stating that the company so carries on business or has such interests, and
- (b) claiming a 3 month extension of the period allowed for laying and delivering accounts and reports;

and upon such a notice being given the period is extended accordingly.

(4) If the relevant accounting period is treated as shortened by virtue of a notice given by the company under Article 233 (alteration of accounting reference date), the period allowed for laying and delivering accounts is that applicable in accordance with the above provisions or 3 months from the date of the notice under that Article, whichever last expires.

(5) If for any special reason the Department thinks fit it may, on an application made before the expiry of the period otherwise allowed, by notice in writing to a company extend that period by such further period as may be specified in the notice.

(6) In this Article “the relevant accounting reference period” means the accounting reference period by reference to which the financial year for the accounts in question was determined.”.

Remedies for failure to comply with accounting requirements

14. The following Articles are inserted in Part VIII of the 1986 Order—

“Revision of defective accounts and reports

Voluntary revision of annual accounts or directors' report

253.—(1) If it appears to the directors of a company that any annual accounts of the company, or any directors' report, did not comply with the requirements of this Order, they may prepare revised accounts or a revised report.

(2) Where copies of the previous accounts or report have been laid before the company in general meeting or delivered to the registrar, the revisions shall be confined to—

- (a) the correction of those respects in which the previous accounts or report did not comply with the requirements of this Order, and
- (b) the making of any necessary consequential alterations.

(3) The Department may make provision by regulations as to the application of the provisions of this Order in relation to revised annual accounts or a revised directors' report.

(4) The regulations may, in particular—

- (a) make different provision according to whether the previous accounts or report are replaced or are supplemented by a document indicating the corrections to be made;
- (b) make provision with respect to the functions of the company’s auditors in relation to the revised accounts or report;

- (c) require the directors to take such steps as may be specified in the regulations where the previous accounts or report have been—
 - (i) sent out to members and others under Article 246(1),
 - (ii) laid before the company in general meeting, or
 - (iii) delivered to the registrar,or where a summary financial statement based on the previous accounts or report has been sent to members under Article 259;
- (d) apply the provisions of this Order (including those creating criminal offences) subject to such additions, exceptions and modifications as are specified in the regulations.

Department's notice in respect of annual accounts

253A.—(1) Where copies of a company's annual accounts have been sent out under Article 246, or a copy of a company's annual accounts has been laid before the company in general meeting or delivered to the registrar, and it appears to the Department that there is, or may be, a question whether the accounts comply with the requirements of this Order, it may give notice to the directors of the company indicating the respects in which it appears to the Department that such a question arises, or may arise.

(2) The notice shall specify a period of not less than one month for the directors to give the Department an explanation of the accounts or prepare revised accounts.

(3) If at the end of the specified period, or such longer period as it may allow, it appears to the Department that no satisfactory explanation of the accounts has been given and that the accounts have not been revised so as to comply with the requirements of this Order, it may if it thinks fit apply to the court.

(4) The provisions of this Article apply equally to revised annual accounts, in which case the references to revised accounts shall be read as references to further revised accounts.

Application to court in respect of defective accounts

253B.—(1) An application may be made to the court—

- (a) by the Department, after having complied with Article 253A, or
- (b) by a person authorised by the Department for the purposes of this Article,

for a declaration that the annual accounts of a company do not comply with the requirements of this Order and for an order requiring the directors of the company to prepare revised accounts.

(2) Notice of the application, together with a general statement of the matters at issue in the proceedings, shall be given by the applicant to the registrar for registration.

(3) If the court orders the preparation of revised accounts, it may give directions with respect to—

- (a) the auditing of the accounts,
- (b) the revision of any directors' report or summary financial statement, and
- (c) the taking of steps by the directors to bring the making of the order to the notice of persons likely to rely on the previous accounts,

and such other matters as the court thinks fit.

(4) If the court finds that the accounts did not comply with the requirements of this Order it may order that all or part of—

- (a) the costs of and incidental to the application, and
- (b) any reasonable expenses incurred by the company in connection with or in consequence of the preparation of revised accounts,

shall be borne by such of the directors as were party to the approval of the defective accounts.

For this purpose every director of the company at the time the accounts were approved shall be taken to have been a party to their approval unless he shows that he took all reasonable steps to prevent their being approved.

(5) Where the court makes an order under paragraph (4) it shall have regard to whether the directors party to the approval of the defective accounts knew or ought to have known that the accounts did not comply with the requirements of this Order, and it may exclude one or more directors from the order or order the payment of different amounts by different directors.

(6) On the conclusion of proceedings on an application under this Article, the applicant shall give to the registrar for registration an office copy of the court order or, as the case may be, notice that the application has failed or been withdrawn.

(7) The provisions of this Article apply equally to revised annual accounts, in which case the references to revised accounts shall be read as references to further revised accounts.

Other persons authorised to apply to court

253C.—(1) The Department may authorise for the purposes of Article 253B any person appearing to it—

- (a) to have an interest in, and to have satisfactory procedures directed to securing, compliance by companies with the accounting requirements of this Order,
- (b) to have satisfactory procedures for receiving and investigating complaints about the annual accounts of companies, and
- (c) otherwise to be a fit and proper person to be authorised.

(2) A person may be authorised generally or in respect of particular classes of case, and different persons may be authorised in respect of different classes of case.

(3) The Department may refuse to authorise a person if it considers that its authorisation is unnecessary having regard to the fact that there are one or more other persons who have been or are likely to be authorised.

(4) Authorisation shall be by order made subject to negative resolution.

(5) Where authorisation is revoked, the revoking order may make such provision as the Department thinks fit with respect to pending proceedings.

(6) Neither a person authorised under this Article, nor any officer, servant or member of the governing body of such a person, shall be liable in damages for anything done or purporting to be done for the purposes of or in connection with—

- (a) the taking of steps to discover whether there are grounds for an application to the court,
- (b) the determination whether or not to make such an application, or
- (c) the publication of its reasons for any such decision,

unless the act or omission is shown to have been in bad faith.”.

Exemptions and special provisions

Small and medium-sized companies and groups

15.—(1) The following Articles are inserted in Part VIII of the 1986 Order, as the beginning of a Chapter II—

“CHAPTER II

EXEMPTIONS, EXCEPTIONS AND SPECIAL PROVISIONS

Small and medium-sized companies and groups

Exemptions for small and medium-sized companies

254.—(1) A company which qualifies as a small or medium-sized company in relation to a financial year—

- (a) is exempt from the requirements of paragraph 36A of Schedule 4 (disclosure with respect to compliance with accounting standards), and
- (b) is entitled to the exemptions provided by Schedule 8 with respect to the delivery to the registrar under Article 250 of individual accounts and other documents for that financial year.

(2) In Schedule 8—

- Part I relates to small companies,
- Part II relates to medium-sized companies, and
- Part III contains supplementary provisions.

(3) A company is not entitled to the exemptions mentioned in paragraph (1) if it is, or was at any time within the financial year to which the accounts relate—

- (a) a public company,
- (b) a banking or insurance company, or
- (c) an authorised person under the Financial Services Act 1986⁽⁶⁾,

or if it is or was at any time during that year a member of an ineligible group.

(4) A group is ineligible if any of its members is—

- (a) a public company or a body corporate which (not being a company) has power under its constitution to offer its shares or debentures to the public and may lawfully exercise that power,
- (b) an authorised institution under the Banking Act 1987⁽⁷⁾,
- (c) an insurance company to which Part II of the Insurance Companies Act 1982⁽⁸⁾ applies, or
- (d) an authorised person under the Financial Services Act 1986.

(5) A parent company shall not be treated as qualifying as a small company in relation to a financial year unless the group headed by it qualifies as a small group, and shall not be

⁽⁶⁾ 1986 c. 60
⁽⁷⁾ 1987 c. 22
⁽⁸⁾ 1982 c. 50

treated as qualifying as a medium-sized company in relation to a financial year unless that group qualifies as a medium-sized group (see Article 257).

Qualification of company as small or medium-sized

255.—(1) A company qualifies as small or medium-sized in relation to a financial year if the qualifying conditions are met—

- (a) in the case of the company’s first financial year, in that year, and
- (b) in the case of any subsequent financial year, in that year and the preceding year.

(2) A company shall be treated as qualifying as small or medium-sized in relation to a financial year—

- (a) if it so qualified in relation to the previous financial year under paragraph (1); or
- (b) if it was treated as so qualifying in relation to the previous year by virtue of subparagraph (a) and the qualifying conditions are met in the year in question.

(3) The qualifying conditions are met by a company in a year in which it satisfies two or more of the following requirements—

	<i>Small company</i>
	<i>Medium-sized company</i>
1. Turnover	Not more than £2 million
2. Balance sheet total	Not more than £975,000
3. Number of employees	Not more than 50
1. Turnover	Not more than £8 million
2. Balance sheet total	Not more than £3.9 million
3. Number of employees	Not more than 250.

(4) For a period which is a company’s financial year but not in fact a year the maximum figures for turnover shall be proportionately adjusted.

(5) The balance sheet total means—

- (a) where in the company’s accounts Format 1 of the balance sheet formats set out in Part I of Schedule 4 is adopted, the aggregate of the amounts shown in the balance sheet under the headings corresponding to items A to D in that Format, and
- (b) where Format 2 is adopted, the aggregate of the amounts shown under the general heading “Assets”.

(6) The number of employees means the average number of persons employed by the company in the year (determined on a weekly basis).

That number shall be determined by applying the method of calculation prescribed by paragraph 56(2) and (3) of Schedule 4 for determining the corresponding number required to be stated in a note to the company’s accounts.”.

(2) Schedule 6 to this Order is substituted for Schedule 8 to the 1986 Order.

(3) The following Articles are inserted in Part VIII of the 1986 Order—

“Exemption for small and medium-sized groups

256.—(1) A parent company need not prepare group accounts for a financial year in relation to which the group headed by that company qualifies as a small or medium-sized group and is not an ineligible group.

(2) A group is ineligible if any of its members is—

- (a) a public company or a body corporate which (not being a company) has power under its constitution to offer its shares or debentures to the public and may lawfully exercise that power,
- (b) an authorised institution under the Banking Act 1987⁽⁹⁾,
- (c) an insurance company to which Part II of the Insurance Companies Act 1982⁽¹⁰⁾ applies, or
- (d) an authorised person under the Financial Services Act 1986⁽¹¹⁾.

(3) If the directors of a company propose to take advantage of the exemption conferred by this Article, it is the auditors' duty to provide them with a report stating whether in their opinion the company is entitled to the exemption.

(4) The exemption does not apply unless—

- (a) the auditors' report states that in their opinion the company is so entitled, and
- (b) that report is attached to the individual accounts of the company.

Qualification of group as small or medium-sized

257.—(1) A group qualifies as small or medium-sized in relation to a financial year if the qualifying conditions are met—

- (a) in the case of the parent company's first financial year, in that year, and
- (b) in the case of any subsequent financial year, in that year and the preceding year.

(2) A group shall be treated as qualifying as small or medium-sized in relation to a financial year—

- (a) if it so qualified in relation to the previous financial year under paragraph (1); or
- (b) if it was treated as so qualifying in relation to the previous year by virtue of subparagraph (a) and the qualifying conditions are met in the year in question.

(3) The qualifying conditions are met by a group in a year in which it satisfies two or more of the following requirements—

	<i>Small group</i>
	<i>Medium-sized group</i>
1. Aggregate turnover	Not more than £2 million net (or £2.4 million gross)
2. Aggregate balance sheet total	Not more than £1 million net (or £1.2 million gross)
3. Aggregate number of employees	Not more than 50

⁽⁹⁾ 1987 c. 22

⁽¹⁰⁾ 1982 c. 50

⁽¹¹⁾ 1986 c. 60

1. Aggregate turnover	Not more than £8 million net (or £9.6 million gross)
2. Aggregate balance sheet total	Not more than £3.9 million net (or £4.7 million gross)
3. Aggregate number of employees	Not more than 250

(4) The aggregate figures shall be ascertained by aggregating the relevant figures determined in accordance with Article 255 for each member of the group.

In relation to the aggregate figures for turnover and balance sheet total, “net” means with the set-offs and other adjustments required by Schedule 4A in the case of group accounts and “gross” means without those set-offs and other adjustments; and a company may satisfy the relevant requirement on the basis of either the net or the gross figure.

(5) The figures for each subsidiary undertaking shall be those included in its accounts for the relevant financial year, that is—

- (a) if its financial year ends with that of the parent company, that financial year, and
- (b) if not, its financial year ending last before the end of the financial year of the parent company.

(6) If those figures cannot be obtained without disproportionate expense or undue delay, the latest available figures shall be taken.”.

Dormant companies

16. The following Article is inserted in Part VIII of the 1986 Order—

“Dormant companies

Resolution not to appoint auditors

258.—(1) A company may by special resolution make itself exempt from the provisions of this Part relating to the audit of accounts in the following cases—

- (a) if the company has been dormant from the time of its formation, by a special resolution passed before the first general meeting of the company at which annual accounts are laid;
 - (b) if the company has been dormant since the end of the previous financial year and—
 - (i) is entitled in respect of its individual accounts for that year to the exemptions conferred by Article 254 on a small company, or would be so entitled but for being a member of an ineligible group, and
 - (ii) is not required to prepare group accounts for that year,
 by a special resolution passed at a general meeting of the company at which the annual accounts for that year are laid.
- (2) A company may not pass such a resolution if it is—
- (a) a public company,
 - (b) a banking or insurance company, or

(c) an authorised person under the Financial Services Act 1986(12).

(3) A company is “dormant” during a period in which no significant accounting transaction occurs, that is, no transaction which is required by Article 229 to be entered in the company’s accounting records; and a company ceases to be dormant on the occurrence of such a transaction.

For this purpose there shall be disregarded any transaction arising from the taking of shares in the company by a subscriber to the memorandum in pursuance of an undertaking of his in the memorandum.

(4) Where a company is, at the end of a financial year, exempt by virtue of this Article from the provisions of this Part relating to the audit of accounts—

- (a) Articles 246 and 247 (right to receive or demand copies of accounts and reports) have effect with the omission of references to the auditors' report;
- (b) no copies of an auditors' report need be laid before the company in general meeting;
- (c) no copy of an auditors' report need be delivered to the registrar, and if none is delivered, the copy of the balance sheet so delivered shall contain a statement by the directors, in a position immediately above the signature required by Article 241(4), that the company was dormant throughout the financial year; and
- (d) the company shall be treated as entitled in respect of its individual accounts for that year to the exemptions conferred by Article 254 on a small company notwithstanding that it is a member of an ineligible group.

(5) Where a company which is exempt by virtue of this Article from the provisions of this Part relating to the audit of accounts—

- (a) ceases to be dormant, or
- (b) would no longer qualify (for any other reason) to make itself exempt by passing a resolution under this Article,

it shall thereupon cease to be so exempt.”.

Public listed companies: provision of summary financial statement

17. The following Article is inserted in Part VIII of the 1986 Order—

“Listed public companies

Provision of summary financial statement to shareholders

259.—(1) A public company whose shares, or any class of whose shares, are listed need not, in such cases as may be specified by regulations made by the Department, and provided any conditions so specified are complied with, send copies of the documents referred to in Article 246(1) to members of the company, but may instead send them a summary financial statement.

In this paragraph “listed” means admitted to the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.

(2) Copies of the documents referred to in Article 246(1) shall, however, be sent to any member of the company who wishes to receive them; and the Department may by

regulations make provision as to the manner in which it is to be ascertained whether a member of the company wishes to receive them.

(3) The summary financial statement shall be derived from the company's annual accounts and the directors' report and shall be in such form and contain such information as may be specified by regulations made by the Department.

(4) Every summary financial statement shall—

- (a) state that it is only a summary of information in the company's annual accounts and the directors' report;
- (b) contain a statement by the company's auditors of their opinion as to whether the summary financial statement is consistent with those accounts and that report and complies with the requirements of this Article and regulations made under it;
- (c) state whether the auditors' report on the annual accounts was unqualified or qualified, and if it was qualified set out the report in full together with any further material needed to understand the qualification;
- (d) state whether the auditors' report on the annual accounts contained a statement under—
 - (i) Article 245(2) (accounting records or returns inadequate or accounts not agreeing with records and returns), or
 - (ii) Article 245(3) (failure to obtain necessary information and explanations), and if so, set out the statement in full.

(5) If default is made in complying with this Article or regulations made under it, the company and every officer of it who is in default is guilty of an offence and liable to a fine.

(6) Article 248 (requirements in connection with publication of accounts) does not apply in relation to the provision to members of a company of a summary financial statement in accordance with this Article.”.

Private companies: election to dispense with laying of accounts and reports before general meeting

18. The following Articles are inserted in Part VIII of the 1986 Order—

“Private companies

Election to dispense with laying of accounts and reports before general meeting

260.—(1) A private company may elect (by elective resolution in accordance with Article 387A) to dispense with the laying of accounts and reports before the company in general meeting.

(2) An election has effect in relation to the accounts and reports in respect of the financial year in which the election is made and subsequent financial years.

(3) Whilst an election is in force, the references in the following provisions of this Order to the laying of accounts before the company in general meeting shall be read as references to the sending of copies of the accounts to members and others under Article 246(1)—

- (a) Article 243(1) (accounts on which auditors are to report),
- (b) Article 278(3) and (4) (accounts by reference to which distributions are justified), and

- (c) Article 328(2) (accounts relevant for determining company's net assets for purposes of ascertaining whether approval required for certain transactions); and the requirement in Article 279(4) that the auditors' statement under that provision be laid before the company in general meeting shall be read as a requirement that it be sent to members and others along with the copies of the accounts sent to them under Article 246(1).
- (4) If an election under this Article ceases to have effect, Article 249 applies in relation to the accounts and reports in respect of the financial year in which the election ceases to have effect and subsequent financial years.

Right of shareholder to require laying of accounts

261.—(1) Where an election under Article 260 is in force, the copies of the accounts and reports sent out in accordance with Article 246(1)—

- (a) shall be sent not less than 28 days before the end of the period allowed for laying and delivering accounts and reports, and
- (b) shall be accompanied, in the case of a member of the company, by a notice informing him of his right to require the laying of the accounts and reports before a general meeting;

and Article 246(5) (penalty for default) applies in relation to the above requirements as to the requirements contained in that Article.

(2) Before the end of the period of 28 days beginning with the day on which the accounts and reports are sent out in accordance with Article 246(1), any member or auditor of the company may by notice in writing deposited at the registered office of the company require that a general meeting be held for the purpose of laying the accounts and reports before the company.

(3) If the directors do not within 21 days from the date of the deposit of such a notice proceed duly to convene a meeting, the person who deposited the notice may do so himself.

(4) A meeting so convened shall not be held more than 3 months from that date and shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.

(5) Where the directors do not duly convene a meeting, any reasonable expenses incurred by reason of that failure by the person who deposited the notice shall be made good to him by the company, and shall be recouped by the company out of any fees, or other remuneration in respect of their services, due or to become due to such of the directors as were in default.

(6) The directors shall be deemed not to have duly convened a meeting if they convene a meeting for a date more than 28 days after the date of the notice convening it.”.

Unlimited companies: exemption from requirement to deliver accounts and reports

19. The following Article is inserted in Part VIII of the 1986 Order—

“Unlimited companies

Exemption from requirement to deliver accounts and reports

262.—(1) The directors of an unlimited company are not required to deliver accounts and reports to the registrar in respect of a financial year if the following conditions are met.

(2) The conditions are that at no time during the relevant accounting reference period—

- (a) has the company been, to its knowledge, a subsidiary undertaking of an undertaking which was then limited, or
- (b) have there been, to its knowledge, exercisable by or on behalf of two or more undertakings which were then limited, rights which if exercisable by one of them would have made the company a subsidiary undertaking of it, or
- (c) has the company been a parent company of an undertaking which was then limited.

The references above to an undertaking being limited at a particular time are to an undertaking (under whatever law established) the liability of whose members is at that time limited.

(3) The exemption conferred by this Article does not apply if at any time during the relevant accounting period the company carried on business as the promoter of a trading stamp scheme within the Trading Stamps Act (Northern Ireland) 1965⁽¹³⁾.

(4) Where a company is exempt by virtue of this Article from the obligation to deliver accounts, Article 248 (requirements in connection with publication of accounts) has effect with the following modifications—

- (a) in paragraph (3)(b) for the words from “whether statutory accounts” to “have been delivered to the registrar” substitute “that the company is exempt from the requirement to deliver statutory accounts”, and
- (b) in paragraph (5) for “as required to be delivered to the registrar under Article 250” substitute “as prepared in accordance with this Part and approved by the board of directors”.

Banking and insurance companies and groups: special provisions

20.—(1) The following Articles are inserted in Part VIII of the 1986 Order—

“Banking and insurance companies and groups

Special provisions for banking and insurance companies

263.—(1) A banking or insurance company may prepare its individual accounts in accordance with Part I of Schedule 9 rather than Schedule 4.

(2) Accounts so prepared shall contain a statement that they are prepared in accordance with the special provisions of this Part relating to banking companies or insurance companies, as the case may be.

(3) In relation to the preparation of individual accounts in accordance with the special provisions of this Part relating to banking or insurance companies, the references to the provisions of Schedule 4 in Article 234(4) and (5) (relationship between specific requirements and duty to give true and fair view) shall be read as references to the provisions of Part I of Schedule 9.

(4) The Department may, on the application or with the consent of the directors of a company which prepares individual accounts in accordance with the special provisions of this Part relating to banking or insurance companies, modify in relation to the company any of the requirements of this Part for the purpose of adapting them to the circumstances of the company.

This does not affect the duty to give a true and fair view.

Special provisions for banking and insurance groups

263A.—(1) The parent company of a banking or insurance group may prepare group accounts in accordance with the provisions of this Part as modified by Part II of Schedule 9.

(2) Accounts so prepared shall contain a statement that they are prepared in accordance with the special provisions of this Part relating to banking groups or insurance groups, as the case may be.

(3) References in this Part to a banking group are to a group where—

- (a) the parent company is a banking company, or
- (b) at least one of the undertakings in the group is an authorised institution under the Banking Act 1987(14) and the predominant activities of the group are such as to make it inappropriate to prepare group accounts in accordance with the formats in Part I of Schedule 4.

(4) References in this Part to an insurance group are to a group where—

- (a) the parent company is an insurance company, or
- (b) the predominant activity of the group is insurance business and activities which are a direct extension of or ancillary to insurance business.

(5) In relation to the preparation of group accounts in accordance with the special provisions of this Part relating to banking or insurance groups, the references to the provisions of Schedule 4A in Article 235(5) and (6) (relationship between specific requirements and duty to give true and fair view) shall be read as references to those provisions as modified by Part II of Schedule 9.

(6) The Department may, on the application or with the consent of the directors of a company which prepares group accounts in accordance with the special provisions of this Part relating to banking or insurance groups, modify in relation to the company any of the requirements of this Part for the purpose of adapting them to the circumstances of the company.

Modification of disclosure requirements in relation to banking company or group

263B.—(1) In relation to a company which prepares accounts in accordance with the special provisions of this Part relating to banking companies or groups, the provisions of Schedule 5 (additional disclosure: related undertakings) have effect subject to Part III of Schedule 9.

(2) In relation to a banking company, or the parent company of a banking company, the provisions of Schedule 6 (disclosure: emoluments and other benefits of directors and others) have effect subject to Part IV of Schedule 9.

Directors' report where accounts prepared in accordance with special provisions

263C.—(1) The following provisions apply in relation to the directors' report of a company for a financial year in respect of which it prepares accounts in accordance with the special provisions of this Part relating to banking or insurance companies or groups.

(2) The information required to be given by paragraph 6, 8 or 13 of Part I of Schedule 9 (which is allowed to be given in a statement or report annexed to the accounts), may be given in the director's report instead.

Information so given shall be treated for the purposes of audit as forming part of the accounts.

(3) The reference in Article 242(1)(b) to the amount proposed to be carried to reserves shall be construed as a reference to the amount proposed to be carried to reserves within the meaning of Part I of Schedule 9.

(4) If the company takes advantage, in relation to its individual or group accounts, of the exemptions conferred by paragraph 27 or 28 of Part I of Schedule 9, paragraph 1 of Schedule 7 (disclosure of asset values) does not apply.

(5) The directors' report shall, in addition to complying with Schedule 7, also comply with Schedule 10 (which specifies additional matters to be disclosed)."

(2) The following Article is inserted in Part VIII of the 1986 Order—

“Power to apply provisions to banking partnerships

263D.—(1) The Department may by regulations apply to banking partnerships, subject to such exceptions, adaptations and modifications as it considers appropriate, the provisions of this Part applying to banking companies.

(2) A “banking partnership” means a partnership which is an authorised institution under the Banking Act 1987(15).

(3) No regulations under this Article shall be made unless a draft of the regulations has been laid before and approved by a resolution of the Assembly.”

(3) Schedule 9 to the 1986 Order (form and content of special category accounts) is amended in accordance with Schedule 7 to this Order.

(4) In that Schedule—

Part I contains amendments relating to the form and content of accounts of banking and insurance companies and groups,

Part II contains provisions with respect to the group accounts of banking and insurance groups,

Part III contains provisions adapting the requirements of Schedule 5 to the 1986 Order (additional disclosure: related undertakings), and

Part IV contains provisions relating to the requirements of Schedule 6 to that Order (additional disclosure: emoluments and other benefits of directors and others).

(5) Schedule 8 to this Order (directors' report where accounts prepared in accordance with special provisions for banking and insurance companies and groups) is substituted for Schedule 10 to the 1986 Order.

Supplementary provisions

Accounting standards

21. The following Article is inserted in Part VIII of the 1986 Order, as the beginning of a Chapter III—

“CHAPTER III SUPPLEMENTARY PROVISIONS

Accounting standards

Accounting standards

264.—(1) In this Part “accounting standards” means statements of standard accounting practice issued by such body or bodies as may be prescribed.

(2) References in this Part to accounting standards applicable to a company’s annual accounts are to such standards as are, in accordance with their terms, relevant to the company’s circumstances and to the accounts.

(3) The Department may make grants to or for the purposes of bodies concerned with—

- (a) issuing accounting standards,
- (b) overseeing and directing the issuing of such standards, or
- (c) investigating departures from such standards or from the accounting requirements of this Order and taking steps to secure compliance with them.

(4) Regulations under this Article may contain such transitional provisions as appear to the Department to be appropriate.”.

Power to alter accounting requirements

22. The following Article is inserted in Part VIII of the 1986 Order—

“Power to alter accounting requirements

Power of Department to alter accounting requirements

265.—(1) The Department may by regulations modify the provisions of this Part.

(2) Regulations which—

- (a) add to the classes of documents required to be prepared, laid before the company in general meeting or delivered to the registrar,
- (b) restrict the classes of company which have the benefit of any exemption, exception or special provision,
- (c) require additional matter to be included in a document of any class, or
- (d) otherwise render the requirements of this Part more onerous,

shall not be made unless a draft of the regulations has been laid before and approved by a resolution of the Assembly.

(3) Regulations under this Article may—

- (a) repeal and re-enact provisions with modifications of form or arrangement, whether or not they are modified in substance,
- (b) make consequential amendments or repeals in other provisions of this Order, or in other statutory provisions;
- (c) contain such transitional provisions as the Department thinks fit.

(4) Any modification by regulations under this Article of Article 266 or Schedule 10A (parent and subsidiary undertakings) does not apply for the purposes of statutory provisions outside the Companies Orders unless the regulations so provide.”.

Parent and subsidiary undertakings

23.—(1) The following Article is inserted in Part VIII of the 1986 Order—

“Parent and subsidiary undertakings

Parent and subsidiary undertakings

266.—(1) The expressions “parent undertaking” and “subsidiary undertaking” in this Part shall be construed as follows; and a “parent company” means a parent undertaking which is a company.

(2) An undertaking is a parent undertaking in relation to another undertaking, a subsidiary undertaking, if—

- (a) it holds a majority of the voting rights in the undertaking, or
- (b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors, or
- (c) it has the right to exercise a dominant influence over the undertaking—
 - (i) by virtue of provisions contained in the undertaking’s memorandum or articles, or
 - (ii) by virtue of a control contract, or
- (d) it is a member of the undertaking and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in the undertaking.

(3) For the purposes of paragraph (2) an undertaking shall be treated as a member of another undertaking—

- (a) if any of its subsidiary undertakings is a member of that undertaking, or
- (b) if any shares in that other undertaking are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings.

(4) An undertaking is also a parent undertaking in relation to another undertaking, a subsidiary undertaking, if it has a participating interest in the undertaking and—

- (a) it actually exercises a dominant influence over it, or
- (b) it and the subsidiary undertaking are managed on a unified basis.

(5) A parent undertaking shall be treated as the parent undertaking of undertakings in relation to which any of its subsidiary undertakings are, or are to be treated as, parent undertakings; and references to its subsidiary undertakings shall be construed accordingly.

(6) Schedule 10A contains provisions explaining expressions used in this Article and otherwise supplementing this Article.”.

(2) Schedule 9 to this Order (parent and subsidiary undertakings: supplementary provisions) is inserted after Schedule 10 to the 1986 Order, as Schedule 10A.

Other interpretation provisions

24. The following Articles are inserted in Part VIII of the 1986 Order—

“Other interpretation provisions

Meaning of “undertaking” and related expressions

267.—(1) In this Part “undertaking” means—

- (a) a body corporate or partnership, or
- (b) an unincorporated association carrying on a trade or business, with or without a view to profit.

(2) In this Part references to shares—

- (a) in relation to an undertaking with a share capital, are to allotted shares;
- (b) in relation to an undertaking with capital but no share capital, are to rights to share in the capital of the undertaking; and
- (c) in relation to an undertaking without capital, are to interests—
 - (i) conferring any right to share in the profits or liability to contribute to the losses of the undertaking, or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.

(3) Other expressions appropriate to companies shall be construed, in relation to an undertaking which is not a company, as references to the corresponding persons, officers, documents or organs, as the case may be, appropriate to undertakings of that description.

This is subject to provision in any specific context providing for the translation of such expressions.

(4) References in this Part to “fellow subsidiary undertakings” are to undertakings which are subsidiary undertakings of the same parent undertaking but are not parent undertakings or subsidiary undertakings of each other.

(5) In this Part “group undertaking”, in relation to an undertaking, means an undertaking which is—

- (a) a parent undertaking or subsidiary undertaking of that undertaking, or
- (b) a subsidiary undertaking of any parent undertaking of that undertaking.

Participating interests

268.—(1) In this Part a “participating interest” means an interest held by an undertaking in the shares of another undertaking which it holds on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest.

(2) A holding of 20 per cent. or more of the shares of an undertaking shall be presumed to be a participating interest unless the contrary is shown.

(3) The reference in paragraph (1) to an interest in shares includes—

- (a) an interest which is convertible into an interest in shares, and
- (b) an option to acquire shares or any such interest;

and an interest or option falls within sub-paragraph (a) or (b) notwithstanding that the shares to which it relates are, until the conversion or the exercise of the option, unissued.

(4) For the purposes of this Article an interest held on behalf of an undertaking shall be treated as held by it.

(5) For the purposes of this Article as it applies in relation to the expression “participating interest” in Article 266(4) (definition of “subsidiary undertaking”)—

- (a) there shall be attributed to an undertaking any interests held by any of its subsidiary undertakings, and
- (b) the references in paragraph (1) to the purpose and activities of an undertaking include the purposes and activities of any of its subsidiary undertakings and of the group as a whole.

(6) In the balance sheet and profit and loss formats set out in Part I of Schedule 4, “participating interest” does not include an interest in a group undertaking.

(7) For the purposes of this Article as it applies in relation to the expression “participating interest”—

- (a) in those formats as they apply in relation to group accounts, and
- (b) in paragraph 20 of Schedule 4A (group accounts: undertakings to be accounted for as associated undertakings),

the references in paragraphs (1) to (4) to the interest held by, and the purposes and activities of, the undertaking concerned shall be construed as references to the interest held by, and the purposes and activities of, the group (within the meaning of paragraph 1 of that Schedule).

Notes to the accounts

269.—(1) Information required by this Part to be given in notes to a company’s annual accounts may be contained in the accounts or in a separate document annexed to the accounts.

(2) References in this Part to a company’s annual accounts, or to a balance sheet or profit and loss account, include notes to the accounts giving information which is required by any provision of this Order, and required or allowed by any such provision to be given in a note to company accounts.

Minor definitions

270.—(1) In this Part—

“annual accounts” means—

- (a) the individual accounts required by Article 234, and
- (b) any group accounts required by Article 235,

(but see also Article 238 (treatment of individual profit and loss account where group accounts prepared));

“annual report”, in relation to a company, means the directors’ report required by Article 242;

“balance sheet date” means the date as at which the balance sheet was made up;

“capitalisation”, in relation to work or costs, means treating that work or those costs as a fixed asset;

“credit institution” means an undertaking carrying on a deposit-taking business within the meaning of the Banking Act 1987(16);

“fixed assets” means assets of a company which are intended for use on a continuing basis in the company’s activities, and “current assets” means assets not intended for such use;

“group” means a parent undertaking and its subsidiary undertakings;

“included in the consolidation”, in relation to group accounts, or “included in consolidated group accounts”, means that the undertaking is included in the accounts by the method of full (and not proportional) consolidation, and references to an undertaking excluded from consolidation shall be construed accordingly;

“purchase price”, in relation to an asset of a company or any raw materials or consumables used in the production of such an asset, includes any consideration (whether in cash or otherwise) given by the company in respect of that asset or those materials or consumables, as the case may be;

“qualified”, in relation to an auditors' report, means that the report does not state the auditors' unqualified opinion that the accounts have been properly prepared in accordance with this Order or, in the case of an undertaking not required to prepare accounts in accordance with this Order, under any corresponding legislation under which it is required to prepare accounts;

“true and fair view” refers—

- (a) in the case of individual accounts, to the requirement of Article 234(2), and
- (b) in the case of group accounts, to the requirement of Article 235(3);

“turnover”, in relation to a company, means the amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of—

- (i) trade discounts,
- (ii) value added tax, and
- (iii) any other taxes based on the amounts so derived.

(2) In the case of an undertaking not trading for profit, any reference in this Part to a profit and loss account is to an income and expenditure account; and references to profit and loss and, in relation to group accounts, to a consolidated profit and loss account shall be construed accordingly.

(3) References in this Part to “realised profits” and “realised losses”, in relation to a company's accounts, are to such profits or losses of the company as fall to be treated as realised in accordance with principles generally accepted, at the time when the accounts are prepared, with respect to the determination for accounting purposes of realised profits or losses.

This is without prejudice to—

- (a) the construction of any other expression (where appropriate) by reference to accepted accounting principles or practice, or
- (b) any specific provision for the treatment of profits or losses of any description as realised.

Index of defined expressions

270A. The following Table shows the provisions of this Part defining or otherwise explaining expressions used in this Part (other than expressions used only in the same Article or paragraph)—

accounting reference date and accounting reference period	Article 232
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accounting standards and applicable accounting standards	Article 264
annual accounts	
(generally)	Article 270(1)
(includes notes to the accounts)	Article 269(2)
annual report	Article 270(1)
associated undertaking (in Schedule 4A)	paragraph 20 of that Schedule
balance sheet (includes notes)	Article 269(2)
balance sheet date	Article 270(1)
banking group	Article 263A(3)
capitalisation (in relation to work or costs)	Article 270(1)
credit institution	Article 270(1)
current assets	Article 270(1)
fellow subsidiary undertaking	Article 267(4)
financial year	Article 231
fixed assets	Article 270(1)
group	Article 270(1)
group undertaking	Article 267(5)
historical cost accounting rules (in Schedule 4)	paragraph 29 of that Schedule
included in the consolidation and related expressions	Article 270(1)
individual accounts	Article 234(1)
insurance group	Article 263A(4)
lease, long lease and short lease	
—in Schedule 4	paragraph 82 of that Schedule
—in Schedule 9	paragraph 34 of that Schedule
listed investment	
—in Schedule 4	paragraph 83 of that Schedule
—in Schedule 9	paragraph 33 of that Schedule
notes to the accounts	Article 269(1)
parent undertaking (and parent company)	Article 266 and Schedule 10A
participating interest	Article 268
pension costs (in Schedule 4)	paragraph 92(2) and (3) of that Schedule
period allowed for laying and delivering accounts and reports	Article 252

profit and loss account	
(includes notes)	Article 269(2)
(in relation to a company not trading for profit)	Article 270(2)
provision	
—in Schedule 4	paragraphs 87 and 88 of that Schedule
—in Schedule 9	paragraph 32 of that Schedule
purchase price	Article 270(1)
qualified	Article 270(1)
realised losses and realised profits	Article 270(3)
reserve (in Schedule 9)	paragraph 32 of that Schedule
shares	Article 267(2)
social security costs (in Schedule 4)	paragraph 92(1) and (3) of that Schedule
special provisions for banking and insurance companies and groups	Articles 263 and 263A
subsidiary undertaking	Article 266 and Schedule 10A
true and fair view	Article 270(1)
turnover	Article 270(1)
undertaking and related expressions	Article 267(1) to (3).”.

Consequential amendments

25. The statutory provisions specified in Schedule 10 have effect with the amendments specified there, which are consequential on the amendments made by the preceding provisions of this Part.

Repeals consequential on Part II

26. The statutory provisions set out in Part I of Schedule 15 are hereby repealed to the extent specified in the third column of that Part, being repeals consequential on this Part.

PART III

ELIGIBILITY FOR APPOINTMENT AS COMPANY AUDITOR

Introduction

Introduction

27.—(1) The main purposes of this Part are to secure that only persons who are properly supervised and appropriately qualified are appointed company auditors, and that audits by persons so appointed are carried out properly and with integrity and with a proper degree of independence.

(2) A “company auditor” means a person appointed as auditor under Chapter V of Part XII of the 1986 Order; and the expressions “company audit” and “company audit work” shall be construed accordingly.

Eligibility for appointment

Eligibility for appointment

28.—(1) A person is eligible for appointment as a company auditor only if he—

- (a) is a member of a recognised supervisory body, and
- (b) is eligible for the appointment under the rules of that body.

(2) An individual or a firm may be appointed a company auditor.

Effect of appointment of partnership

29.—(1) The following provisions apply to the appointment as company auditor of a partnership constituted under the law of England and Wales or Northern Ireland, or under the law of any other country or territory in which a partnership is not a legal person.

(2) The appointment is (unless a contrary intention appears) an appointment of the partnership as such and not of the partners.

(3) Where the partnership ceases, the appointment shall be treated as extending to—

- (a) any partnership which succeeds to the practice of that partnership and is eligible for the appointment, and
- (b) any person who succeeds to that practice having previously carried it on in partnership and is eligible for the appointment.

(4) For this purpose a partnership shall be regarded as succeeding to the practice of another partnership only if the members of the successor partnership are substantially the same as those of the former partnership; and a partnership or other person shall be regarded as succeeding to the practice of a partnership only if it or he succeeds to the whole or substantially the whole of the business of the former partnership.

(5) Where the partnership ceases and no person succeeds to the appointment under paragraph (3), the appointment may with the consent of the company be treated as extending to a partnership or other person eligible for the appointment who succeeds to the business of the former partnership or to such part of it as is agreed by the company shall be treated as comprising the appointment.

Ineligibility on ground of lack of independence

30.—(1) A person is ineligible for appointment as company auditor of a company if he is—

- (a) an officer or employee of the company, or
- (b) a partner or employee of such a person, or a partnership of which such a person is a partner,

or if he is ineligible by virtue of sub-paragraph (a) or (b) for appointment as company auditor of any associated undertaking of the company.

For this purpose an auditor of a company shall not be regarded as an officer or employee of the company.

(2) A person is also ineligible for appointment as company auditor of a company if there exists between him or any associate of his and the company or any associated undertaking a connection of any such description as may be specified by regulations made by the Department.

(3) In this Article “associated undertaking”, in relation to a company, means—

- (a) a parent undertaking or subsidiary undertaking of the company, or
- (b) a subsidiary undertaking of any parent undertaking of the company.
- (4) Regulations under this Article shall be subject to negative resolution.

Effect of ineligibility

31.—(1) No person shall act as a company auditor if he is ineligible for appointment to the office.

(2) If during his term of office a company auditor becomes ineligible for appointment to the office, he shall thereupon vacate office and shall forthwith give notice in writing to the company concerned that he has vacated it by reason of ineligibility.

(3) A person who acts as company auditor in contravention of paragraph (1), or fails to give notice of vacating his office as required by paragraph (2), is guilty of an offence and liable—

- (a) on conviction on indictment, to a fine, and
- (b) on summary conviction, to a fine not exceeding the statutory maximum.

(4) In the case of continued contravention he is liable on a second or subsequent summary conviction (instead of the fine mentioned in paragraph (3)(b)) to a fine not exceeding one-tenth of the statutory maximum in respect of each day on which the contravention is continued.

(5) In proceedings against a person for an offence under this Article it is a defence for him to show that he did not know and had no reason to believe that he was, or had become, ineligible for appointment.

Power of Department to require second audit

32.—(1) Where a person appointed company auditor was, for any part of the period during which the audit was conducted, ineligible for appointment to that office, the Department may direct the company concerned to retain a person eligible for appointment as auditor of the company—

- (a) to audit the relevant accounts again, or
- (b) to review the first audit and to report (giving his reasons) whether a second audit is needed;

and the company shall comply with such a direction within 21 days of its being given.

(2) If a second audit is recommended the company shall forthwith take such steps as are necessary to comply with the recommendation.

(3) Where a direction is given under this Article, the Department shall send a copy of the direction to the registrar, and the company shall within 21 days of receiving any report under paragraph (1) (b) send a copy of it to the registrar.

The provisions of the 1986 Order relating to the delivery of documents to the registrar apply for the purposes of this paragraph.

(4) Any statutory or other provisions applying in relation to the first audit shall apply, so far as practicable, in relation to a second audit under this Article.

(5) If a company fails to comply with the requirements of this Article, it is guilty of an offence and liable on summary conviction to a fine not exceeding the statutory maximum; and in the case of continued contravention it is liable on a second or subsequent summary conviction (instead of the fine mentioned above) to a fine not exceeding one-tenth of the statutory maximum in respect of each day on which the contravention is continued.

(6) A direction under this Article is, on the application of the Department, enforceable by injunction.

(7) If a person accepts an appointment, or continues to act, as company auditor at a time when he knows he is ineligible, the company concerned may recover from him any costs incurred by it in complying with the requirements of this Article.

Recognition of supervisory bodies and professional qualifications

Supervisory bodies

33.—(1) In this Part a “supervisory body” means a body established in the United Kingdom (whether a body corporate or an unincorporated association) which maintains and enforces rules as to—

- (a) the eligibility of persons to seek appointment as company auditors, and
- (b) the conduct of company audit work,

which are binding on persons seeking appointment or acting as company auditors either because they are members of that body or because they are otherwise subject to its control.

(2) In this Part references to the members of a supervisory body are to the persons who, whether or not members of the body, are subject to its rules in seeking appointment or acting as company auditors.

(3) In this Part references to the rules of a supervisory body are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of this Part.

This includes rules relating to the admission and expulsion of members of the body, so far as relevant for the purposes of this Part.

(4) In this Part references to guidance issued by a supervisory body are to guidance issued or any recommendation made by it to all or any class of its members or persons seeking to become members which would, if it were a rule, fall within paragraph (3).

(5) The provisions of Parts I and II of Schedule 11 have effect with respect to the recognition of supervisory bodies for the purposes of this Part.

Meaning of “appropriate qualification”

34.—(1) A person holds an appropriate qualification for the purposes of this Part if—

- (a) he was, by virtue of membership of a body recognised for the purposes of Article 397(1) (a) of the 1986 Order, qualified for appointment as auditor of a company under that Article immediately before 1st January 1990 and immediately before the coming into operation of Article 28,
- (b) he holds a recognised professional qualification obtained in the United Kingdom, or
- (c) he holds an approved overseas qualification and satisfies any additional educational requirements applicable in accordance with Article 36(4).

(2) A person who, immediately before 1st January 1990 and immediately before the coming into operation of Article 28, was qualified for appointment as auditor of a company under Article 397 of the 1986 Order otherwise than by virtue of membership of a body recognised for the purposes of Article 397(1)(a)—

- (a) shall be treated as holding an appropriate qualification for 12 months from the day on which Article 28 comes into operation, and
- (b) shall continue to be so treated if within that period he notifies the Department that he wishes to retain the benefit of his qualification.

The notice shall be in writing and shall contain such information as the Department may require.

(3) If a person fails to give such notice within the time allowed he may apply to the Department, giving such information as would have been required in connection with a notice, and the Department may, if it is satisfied—

- (a) that there was good reason why the applicant did not give notice in time, and
- (b) that the applicant genuinely intends to practise as an auditor in Northern Ireland,

direct that he shall be treated as holding an appropriate qualification for the purposes of this Part.

(4) A person who—

- (a) began before 1st January 1990 a course of study or practical training leading to a professional qualification in accountancy offered by a body established in the United Kingdom, and
- (b) obtained that qualification on or after that date and before 1st January 1996,

shall be treated as holding an appropriate qualification if the qualification is approved by the Department for the purposes of this paragraph.

(5) Approval shall not be given unless the Department is satisfied that the body concerned has or, as the case may be, had at the relevant time adequate arrangements to ensure that the qualification is, or was, awarded only to persons educated and trained to a standard equivalent to that required in the case of a recognised professional qualification.

(6) A person shall not be regarded as holding an appropriate qualification for the purposes of this Part except in the above cases.

Qualifying bodies and recognised professional qualifications

35.—(1) In this Part a “qualifying body” means a body established in the United Kingdom (whether a body corporate or an unincorporated association) which offers a professional qualification in accountancy.

(2) In this Part references to the rules of a qualifying body are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of this Part.

This includes rules relating to—

- (a) admission to or expulsion from a course of study leading to a qualification,
- (b) the award or deprivation of a qualification, or
- (c) the approval of a person for the purposes of giving practical training or the withdrawal of such approval,

so far as relevant for the purposes of this Part.

(3) In this Part references to guidance issued by any such body are to any guidance which the body issues, or any recommendation it makes to all or any class of persons holding or seeking to hold a qualification, or approved or seeking to be approved by the body for the purpose of giving practical training, which would, if it were a rule, fall within paragraph (2).

(4) The provisions of Parts I and II of Schedule 12 have effect with respect to the recognition for the purposes of this Part of a professional qualification offered by a qualifying body.

Approval of overseas qualifications

36.—(1) The Department may declare that persons who—

- (a) are qualified to audit accounts under the law of a specified country or territory outside the United Kingdom, or
- (b) hold a specified professional qualification in accountancy recognised under the law of a country or territory outside the United Kingdom,

shall be regarded for the purposes of this Part as holding an approved overseas qualification.

(2) A qualification shall not be so approved by the Department unless it is satisfied that it affords an assurance of professional competence equivalent to that afforded by a recognised professional qualification.

(3) In exercising the power conferred by paragraph (1) the Department may have regard to the extent to which persons—

- (a) eligible under this Part for appointment as a company auditor, or
- (b) holding a professional qualification recognised under this Part,

are recognised by the law of the country or territory in question as qualified to audit accounts there.

(4) The Department may direct that a person holding an approved overseas qualification shall not be treated as holding an appropriate qualification for the purposes of this Part unless he holds such additional educational qualifications as the Department may specify for the purpose of ensuring that such persons have an adequate knowledge of the law and practice in the United Kingdom relevant to the audit of accounts.

(5) Different directions may be given in relation to different qualifications.

(6) The Department may if it thinks fit, having regard to the considerations mentioned in paragraphs (2) and (3), withdraw its approval of an overseas qualification in relation to persons becoming qualified as mentioned in paragraph (1)(a), or obtaining such a qualification as is mentioned in paragraph (1)(b), after such date as it may specify.

Duties of recognised bodies

The register of auditors

37.—(1) The Department shall make regulations requiring the keeping of a register of—

- (a) the individuals and firms eligible for appointment as company auditor, and
- (b) the individuals holding an appropriate qualification who are responsible for company audit work on behalf of such firms.

(2) The regulations shall provide that each person's entry in the register shall give—

- (a) his name and address, and
- (b) in the case of a person eligible as mentioned in paragraph (1)(a), the name of the relevant supervisory body,

together with such other information as may be specified by the regulations.

(3) The regulations may impose such obligations as the Department thinks fit—

- (a) on recognised supervisory bodies,
- (b) on persons eligible for appointment as company auditor, and
- (c) on any person with whom arrangements are made by one or more recognised supervisory bodies with respect to the keeping of the register.

(4) The regulations may include provision—

- (a) requiring the register to be open to inspection at such times and places as may be specified in the regulations or determined in accordance with them,

- (b) enabling a person to require a certified copy of an entry in the register, and
- (c) authorising the charging of fees for inspection, or the provision of copies, of such reasonable amount as may be specified in the regulations or determined in accordance with them,

and may contain such other supplementary and incidental provisions as the Department thinks fit.

(5) Regulations under this Article shall be subject to negative resolution.

(6) The obligations imposed by regulations under this Article on such persons as are mentioned in paragraph (3)(a) or (c) are enforceable on the application of the Department by injunction.

Information about firms to be available to public

38.—(1) The Department shall make regulations requiring recognised supervisory bodies to keep and make available to the public the following information with respect to the firms eligible under their rules for appointment as a company auditor—

- (a) in relation to a body corporate, the name and address of each person who is a director of the body or holds any shares in it,
- (b) in relation to a partnership, the name and address of each partner,

and such other information as may be specified in the regulations.

(2) The regulations may impose such obligations as the Department thinks fit—

- (a) on recognised supervisory bodies,
- (b) on persons eligible for appointment as company auditor, and
- (c) on any person with whom arrangements are made by one or more recognised supervisory bodies with respect to the keeping of the information.

(3) The regulations may include provision—

- (a) requiring that the information be open to inspection at such times and places as may be specified in the regulations or determined in accordance with them,
- (b) enabling a person to require a certified copy of the information or any part of it, and
- (c) authorising the charging of fees for inspection, or the provision of copies, of such reasonable amount as may be specified in the regulations or determined in accordance with them;

and may contain such other supplementary and incidental provisions as the Department thinks fit.

(4) Regulations under this Article shall be subject to negative resolution.

(5) The obligations imposed by regulations under this Article on such persons as are mentioned in paragraph (2)(a) or (c) are enforceable on the application of the Department by injunction.

Matters to be notified to the Department

39.—(1) The Department may require a recognised supervisory or qualifying body—

- (a) to notify it forthwith of the occurrence of such events as it may specify in writing and to give it such information in respect of those events as is so specified;
- (b) to give it, at such times or in respect of such periods as it may specify in writing, such information as is so specified.

(2) The notices and information required to be given shall be such as the Department may reasonably require for the exercise of its functions under this Part.

(3) The Department may require information given under this Article to be given in a specified form or verified in a specified manner.

(4) Any notice or information required to be given under this Article shall be given in writing unless the Department specifies or approves some other manner.

Power to call for information

40.—(1) The Department may by notice in writing require a recognised supervisory or qualifying body to give it such information as it may reasonably require for the exercise of its functions under this Part.

(2) The Department may require that any information which it requires under this Article shall be given within such reasonable time and verified in such manner as it may specify.

Compliance orders

41.—(1) If at any time it appears to the Department—

- (a) in the case of a recognised supervisory body, that any requirement of Schedule 11 is not satisfied,
- (b) in the case of a recognised professional qualification, that any requirement of Schedule 12 is not satisfied, or
- (c) that a recognised supervisory or qualifying body has failed to comply with an obligation to which it is subject by virtue of this Part,

it may, instead of revoking the relevant recognition order, make an application to the court under this Article.

(2) If on such application the court decides that the requirement in question is not satisfied or, as the case may be, that the body has failed to comply with the obligation in question it may order the supervisory or qualifying body in question to take such steps as the court directs for securing that the requirement is satisfied or that the obligation is complied with.

(3) The jurisdiction conferred by this Article is exercisable by the High Court.

Directions to comply with international obligations

42.—(1) If it appears to the Department—

- (a) that any action proposed to be taken by a recognised supervisory or qualifying body, or a body established by order under Article 48, would be incompatible with Community obligations or any other international obligations of the United Kingdom, or
- (b) that any action which that body has power to take is required for the purpose of implementing any such obligations,

it may direct the body not to take or, as the case may be, to take the action in question.

(2) A direction may include such supplementary or incidental requirements as the Department thinks necessary or expedient.

(3) A direction under this Article is enforceable on the application of the Department by injunction.

Offences

False and misleading statements

43.—(1) A person commits an offence if—

- (a) for the purposes of or in connection with any application under this Part, or

(b) in purported compliance with any requirement imposed on him by or under this Part, he furnishes information which he knows to be false or misleading in a material particular or recklessly furnishes information which is false or misleading in a material particular.

(2) It is an offence for a person whose name does not appear on the register of auditors kept under regulations under Article 37 to describe himself as a registered auditor or so to hold himself out as to indicate, or be reasonably understood to indicate, that he is a registered auditor.

(3) It is an offence for a body which is not a recognised supervisory or qualifying body to describe itself as so recognised or so to describe itself or hold itself out as to indicate, or be reasonably understood to indicate, that it is so recognised.

(4) A person guilty of an offence under paragraph (1) is liable—

(a) on conviction on indictment, to imprisonment for a term not exceeding 2 years or to a fine or both;

(b) on summary conviction, to imprisonment for a term not exceeding 6 months or to a fine not exceeding the statutory maximum or both.

(5) A person guilty of an offence under paragraph (2) or (3) is liable on summary conviction to imprisonment for a term not exceeding 6 months or to a fine not exceeding level 5 on the standard scale or both.

Where a contravention of paragraph (2) or (3) involves a public display of the offending description, the maximum fine that may be imposed is (in place of that mentioned above) an amount equal to level 5 on the standard scale multiplied by the number of days for which the display has continued.

(6) It is a defence for a person charged with an offence under paragraph (2) or (3) to show that he took all reasonable precautions and exercised all due diligence to avoid the commission of the offence.

Offences by bodies corporate, partnerships and unincorporated associations

44.—(1) For the purposes of this Part, section 20(2) of the Interpretation Act (Northern Ireland) 1954⁽¹⁷⁾ applies with the omission of the words “the liability of whose members is limited” and where the affairs of a body corporate are managed by its members, applies in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.

(2) Where an offence under this Part committed by a partnership is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, a partner, he as well as the partnership is guilty of the offence and liable to be proceeded against and punished accordingly.

(3) Where an offence under this Part committed by an unincorporated association (other than a partnership) is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any officer of the association or any member of its governing body, he as well as the association is guilty of the offence and liable to be proceeded against and punished accordingly.

Time limits for prosecution of offences

45.—(1) Notwithstanding anything in Article 19(1)(a) of the Magistrates' Courts (Northern Ireland) Order 1981⁽¹⁸⁾, a magistrates' court shall have jurisdiction to hear and determine a complaint charging the commission of a summary offence under this Part provided that the complaint

(17) 1954 c. 33 (N.I.)

(18) 1981 NI 26

is made within 3 years from the time when the offence was committed and within 12 months from the date on which evidence, sufficient in the opinion of the Director of Public Prosecutions for Northern Ireland or the Department (as the case may be) to justify the proceedings, comes to his or the Department's knowledge.

(2) For the purposes of this Article, a certificate of the Director of Public Prosecutions for Northern Ireland or the Department (as the case may be) as to the date on which such evidence as is referred to above came to his or its knowledge is conclusive evidence.

Jurisdiction and procedure in respect of offences

46.—(1) Summary proceedings for an offence under this Part may, without prejudice to any jurisdiction exercisable apart from this Article, be taken against a body corporate or unincorporated association at any place at which it has a place of business and against an individual at any place where he is for the time being.

(2) Proceedings for an offence alleged to have been committed under this Part by an unincorporated association shall be brought in the name of the association (and not in that of any of its members), and for the purposes of any such proceedings any rules of court relating to the service of documents apply as in relation to a body corporate.

(3) Section 18 of the Criminal Justice Act (Northern Ireland) 1945⁽¹⁹⁾ and Article 166 of and Schedule 4 to the Magistrates' Courts (Northern Ireland) Order 1981⁽²⁰⁾ (procedure on charge of offence against a corporation) apply in a case in which an unincorporated association is charged with an offence under this Part as they apply in the case of a corporation.

(4) A fine imposed on an unincorporated association on its conviction of such an offence shall be paid out of the funds of the association.

Supplementary provisions

Fees

47.—(1) An applicant for a recognition order under this Part shall pay such fee in respect of his application as may be prescribed; and no application shall be regarded as duly made unless this paragraph is complied with.

(2) Every recognised supervisory or qualifying body shall pay such periodical fees to the Department as may be prescribed.

(3) In this Article “prescribed” means prescribed by regulations made by the Department.

(4) Regulations under this Article shall be subject to negative resolution.

(5) Fees received by the Department by virtue of this Part shall be paid into the Consolidated Fund.

Delegation of functions of Department

48.—(1) The Department may by order (a “delegation order”) establish a body corporate to exercise its functions under this Part.

(2) A delegation order has the effect of transferring to the body established by it, subject to such exceptions and reservations as may be specified in the order, all the functions of the Department under this Part except—

(19) 1945 c. 15 (N.I.)

(20) 1981 NI 26

- (a) such functions under Part I of Schedule 14 (prevention of restrictive practices) as are excepted by regulations under Article 49, and
- (b) the Department's functions in relation to the body itself;

and the order may also confer on the body such other functions supplementary or incidental to those transferred as appear to the Department to be appropriate.

(3) Any transfer of the functions under the following provisions shall be subject to the reservation that they remain exercisable concurrently by the Department—

- (a) Article 40 (power to call for information), and
- (b) Article 42 (directions to comply with international obligations);

and any transfer of the function of refusing to approve an overseas qualification, or withdrawing such approval, on the grounds referred to in Article 36(3) (lack of reciprocity) shall be subject to the reservation that the function is exercisable only with the consent of the Department.

(4) A delegation order may be amended or, if it appears to the Department that it is no longer in the public interest that the order should remain in force, revoked by a further order under this Article.

(5) Where functions are transferred or resumed, the Department may by order confer or, as the case may be, take away such other functions supplementary or incidental to those transferred or resumed as appear to it to be appropriate.

(6) The provisions of Schedule 13 have effect with respect to the status, constitution and proceedings of a body established by a delegation order, the exercise by it of certain functions transferred to it and other supplementary matters.

(7) An order which has the effect of transferring or resuming any functions shall not be made unless a draft of it has been laid before and approved by a resolution of the Assembly; and any other description of order shall be subject to negative resolution.

Restrictive practices

49.—(1) The provisions of Schedule 14 have effect with respect to certain matters relating to restrictive practices and competition law.

(2) The Department may make provision by regulations as to the discharge of the functions under paragraphs 1 to 7 of that Schedule when a delegation order is in force.

- (3) The regulations may—
 - (a) except any function from the effect of the delegation order,
 - (b) modify any of the provisions mentioned in paragraph (2), and
 - (c) impose such duties on the body established by the delegation order, the Department and Director General of Fair Trading as appear to the Department to be appropriate.

(4) The regulations shall contain such provision as appears to the Department to be necessary or expedient for reserving to it the decision—

- (a) to refuse recognition on the ground mentioned in paragraph 1(3) of that Schedule, or
- (b) to exercise the powers conferred by paragraph 6 of that Schedule.

(5) For that purpose the regulations may—

- (a) prohibit the body from granting a recognition order without the leave of the Department, and
- (b) empower the Department to direct the body to exercise its powers in such manner as may be specified in the direction.

(6) Regulations under this Article shall be subject to negative resolution.

Exemption from liability for damages

50.—(1) Neither a recognised supervisory body, nor any of its officers or employees or members of its governing body, shall be liable in damages for anything done or omitted in the discharge or purported discharge of functions to which this paragraph applies, unless the act or omission is shown to have been in bad faith.

(2) Paragraph (1) applies to the functions of the body so far as relating to, or to matters arising out of—

- (a) such rules, practices, powers and arrangements of the body to which the requirements of Part II of Schedule 11 apply, or
- (b) the obligations with which paragraph 16 of that Schedule requires the body to comply,
- (c) any guidance issued by the body, or
- (d) the obligations to which the body is subject by virtue of this Part.

(3) Neither a body established by a delegation order, nor any of its members, officers or employees, shall be liable in damages for anything done or omitted in the discharge or purported discharge of the functions exercisable by virtue of an order under Article 48, unless the act or omission is shown to have been in bad faith.

Service of notices

51.—(1) This Article has effect in relation to any notice, direction or other document required or authorised by or under this Part to be given to or served on any person other than the Department.

(2) Any such document may be given to or served on the person in question—

- (a) by delivering it to him,
- (b) by leaving it at his proper address, or
- (c) by sending it by post to him at that address.

(3) Any such document may—

- (a) in the case of a body corporate, be given to or served on the secretary or clerk of that body;
- (b) in the case of a partnership, be given to or served on any partner;
- (c) in the case of an unincorporated association other than a partnership, be given to or served on any member of the governing body of the association.

(4) For the purposes of this Article, section 24(1) of the Interpretation Act (Northern Ireland) 1954⁽²¹⁾ applies with the omission of the word “registering” and the substitution of the words “proper address” for the words “usual or last known place of abode or business”.

(5) For the purposes of this Article and section 24(1) of the Interpretation Act (Northern Ireland) 1954 (service of documents by post) in its application to this Article, the proper address of any person is his last known address (whether of his residence or of a place where he carries on business or is employed) and also—

- (a) in the case of a person who is eligible under the rules of a recognised supervisory body for appointment as company auditor and who does not have a place of business in the United Kingdom, the address of that body;
- (b) in the case of a body corporate, its secretary or its clerk, the address of its registered or principal office in the United Kingdom;
- (c) in the case of an unincorporated association (other than a partnership) or a member of its governing body, its principal office in the United Kingdom.

(21) 1954 c. 33 (N.I.)

Power to make consequential amendments

52.—(1) The Department may by regulations make such amendments of statutory provisions as appear to it to be necessary or expedient in consequence of the provisions of this Part having effect in place of Article 397 of the 1986 Order.

(2) That power extends to making such amendments as appear to the Department necessary or expedient of—

- (a) statutory provisions referring by name to the bodies of accountants recognised for the purposes of Article 397(1)(a) of the 1986 Order, and
- (b) statutory provisions making with respect to other statutory auditors provision as to the matters dealt with in relation to company auditors by Article 397 of the 1986 Order.

(3) The provision which may be made with respect to other statutory auditors includes provision as to—

- (a) eligibility for the appointment,
- (b) the effect of appointing a partnership which is not a legal person and the manner of exercise of the auditor's rights in such a case, and
- (c) ineligibility on the ground of lack of independence or any other ground.

(4) The regulations may contain such supplementary, incidental and transitional provision as appears to the Department to be necessary or expedient.

(5) The Department shall not make regulations under this Article with respect to any statutory auditors without the consent of—

- (a) the Department responsible for their appointment or responsible for the body or person by, or in relation to whom, they are appointed, or
- (b) if there is no such Department, the person by whom they are appointed.

(6) In this Article a “statutory auditor” means a person appointed auditor in pursuance of any statutory provision authorising or requiring the appointment of an auditor or auditors.

(7) Regulations under this Article shall be subject to negative resolution.

Power to make provision in consequence of changes affecting accountancy bodies

53.—(1) The Department may by regulations make such amendments of statutory provisions as appear to it to be necessary or expedient in consequence of any change of name, merger or transfer of engagements affecting—

- (a) a recognised supervisory or qualifying body under this Part, or
- (b) a body of accountants referred to in, or approved, authorised or otherwise recognised for the purposes of, any other statutory provision.

(2) Regulations under this Article shall be subject to negative resolution.

Meaning of “associate”

54.—(1) In this Part “associate”, in relation to a person, shall be construed as follows.

(2) In relation to an individual “associate” means—

- (a) that individual's spouse or minor child or step-child,
- (b) any body corporate of which that individual is a director, and
- (c) any employee or partner of that individual.

(3) In relation to a body corporate “associate” means—

- (a) any body corporate of which that body is a director,
 - (b) any body corporate in the same group as that body, and
 - (c) any employee or partner of that body or of any body corporate in the same group.
- (4) In relation to a Scottish firm, or a partnership constituted under the law of any other country or territory in which a partnership is a legal person, “associate” means—
- (a) any body corporate of which the firm is a director,
 - (b) any employee of or partner in the firm, and
 - (c) any person who is an associate of a partner in the firm.
- (5) In relation to a partnership constituted under the law of England and Wales or Northern Ireland, or the law of any other country or territory in which a partnership is not a legal person, “associate” means any person who is an associate of any of the partners.

Minor definitions

55.—(1) In this Part—

“address” means—

- (a) in relation to an individual, his usual residential or business address, and
- (b) in relation to a firm, its registered or principal office in Northern Ireland;

“company” means any company or other body to which Article 392 of the 1986 Order (duty to appoint auditors) applies;

“director”, in relation to a body corporate, includes any person occupying in relation to it the position of a director (by whatever name called) and any person in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of the body are accustomed to act;

“firm” means a body corporate or a partnership;

“group”, in relation to a body corporate, means the body corporate, any other body corporate which is its holding company or subsidiary and any other body corporate which is a subsidiary of that holding company;

“holding company” and “subsidiary” have the meaning given by Article 4 of the 1986 Order;

“parent undertaking” and “subsidiary undertaking” have the same meaning as in Part VIII of the 1986 Order.

(2) For the purposes of this Part a body shall be regarded as “established in the United Kingdom” if and only if—

- (a) it is incorporated or formed under the law of the United Kingdom or a part of the United Kingdom, or
- (b) its central management and control is exercised in the United Kingdom;

and any reference to a qualification “obtained in the United Kingdom” is to a qualification obtained from such a body.

Index of defined expressions

56. The following Table shows provisions defining or otherwise explaining expressions used in this Part (other than provisions defining or explaining an expression used only in the same Article)—

address	Article 55(1)
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appropriate qualification	Article 34
associate	Article 54
company	Article 55(1)
company auditor, company audit and company audit work	Article 27(2)
delegation order	Article 48
director (of a body corporate)	Article 55(1)
Director (in Schedule 14)	paragraph 1(1) of that Schedule
established in the United Kingdom	Article 55(2)
firm	Article 55(1)
group (in relation to a body corporate)	Article 55(1)
guidance	
—of a qualifying body	Article 35(3)
—of a supervisory body	Article 33(4)
holding company	Article 55(1)
member (of a supervisory body)	Article 33(2)
obtained in the United Kingdom	Article 55(2)
parent undertaking	Article 55(1)
purposes of this Part	Article 27(1)
qualifying body	Article 35(1)
recognised	
—in relation to a professional qualification	Article 35(4) and Schedule 12
—in relation to a qualifying body	paragraph 2(1) of Schedule 12
—in relation to a supervisory body	Article 33(5) and Schedule 11
rules	
—of a qualifying body	Article 35(2)
—of a supervisory body	Article 33(3)
subsidiary and subsidiary undertaking	Article 55(1)
supervisory body	Article 33(1)

Repeals consequential on Part III

57. The statutory provisions set out in Part II of Schedule 15 are hereby repealed to the extent specified in the third column of that Part, being repeals consequential on this Part.

G. I. de Deney
Clerk of the Privy Council