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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations specify the form and content of the accounts and reports of companies under Part 15 of the Companies Act 2006 (c.46) (“the 2006 Act”), other than those subject to the small companies regime. They are dealt with separately in the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. The Regulations replace provisions previously contained in the Schedules to Part 7 of the Companies Act 1985 (c.6) (“the 1985 Act”) and in the Schedules to Part 8 of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)) (“the 1986 Order”). They extend to the whole of the United Kingdom, reflecting the extent of the 2006 Act. The Regulations come into force on 6th April 2008 and, with one exception, apply to financial years beginning on or after that date (regulation 2). The corresponding provisions of the 1985 Act or the 1986 Order continue to apply to accounts and reports for financial years beginning before that date. The new disclosure required by paragraph 4 of Schedule 8 to the Regulations applies in relation to financial years beginning on or after 6th April 2009 (regulation 2(3)).

The Regulations continue the implementation of the following Directives—

Council Directive [78/660/EEC](#) on the annual accounts of certain types of companies (“the Fourth Directive”) (O.J. L222 of 14.8.1978, page 1),

Council Directive [83/349/EEC](#) on consolidated accounts (“the Seventh Directive”) (O.J.L193 of 18.7.1983, page 1),

Council Directive [86/635/EEC](#) on the annual accounts and consolidated accounts of banks and other financial institutions (“the Bank Accounts Directive”) (O.J. L372 of 31.12.1986, page 1), and

Council Directive [91/674/EEC](#) on the annual accounts and consolidated accounts of insurance undertakings (“the Insurance Accounts Directive”) (O.J. L374 of 31.12.91, page 7).

Regulation 3(1) of, and Schedule 1 to, the Regulations specify the form and content of the individual accounts of a company which is not a banking or insurance company, and the directors of which are preparing Companies Act individual accounts. The Schedule re-enacts Schedule 4 to the 1985 Act and Schedule 4 to the 1986 Order, with two substantive modifications. Paragraph 36(4) of Schedule 1 implements article 1.5 of Directive 2006/46 of the European Parliament and the Council of 14th June 2006 amending the Fourth, Seventh, Bank Accounts and Insurance Accounts Directives (OJ L 224 of 16th August 2006, pages 1 to 7). Paragraph 72 of Schedule 1 implements article 1.6(7b) of Directive 2006/46. The Directive is also to be implemented by the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008, the Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008, and by the Financial Services Authority using powers under the Financial Services and Markets Act 2000 (c.8).

Paragraph 36(4) of Schedule 1 gives companies the option of including financial instruments in the accounts at a fair value provided that they may be so included under international accounting standards adopted under the IAS Regulation (as defined in section 474(1) of the 2006 Act) on or before 5th September 2006, and provided that the disclosures required by such standards are made. Paragraph 72 requires companies to make certain disclosures about transactions with related parties.

Regulation 4 specifies certain exemptions for medium-sized companies the directors of which are preparing Companies Act accounts. It re-enacts the exemptions in section 246A of the 1985 Act and in Article 254A of the 1986 Order, save that medium-sized companies are required by regulation 4(3) to disclose their turnover in the accounts delivered to the registrar of companies. Regulation 4(2)(b) implements the member State option in article 1.6 of Directive 2006/46

**Changes to legislation:** There are currently no known outstanding effects for the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. (See end of Document for details)

exempting medium-sized companies from making the disclosures about related party transactions required by paragraph 72 of Schedule 1 to the Regulations.

Regulation 5 of, and Schedule 2 to, the Regulations specify the form and content of the individual accounts of a banking company the directors of which are preparing Companies Act accounts. The Schedule re-enacts Schedule 9 to the 1985 Act and Schedule 9 to the 1986 Order. Paragraph 44(4) of Schedule 2 contains the equivalent provision to paragraph 36(4) of Schedule 1 and paragraph 92 the equivalent provision to paragraph 72 of Schedule 1 (see above) in implementation of article 3 of Directive 2006/46.

Regulation 6 of, and Schedule 3 to, the Regulations specify the form and content of the individual accounts of an insurance company the directors of which are preparing Companies Act accounts. The Schedule re-enacts Schedule 9A to the 1985 Act and Schedule 9A to the 1986 Order. Paragraph 30(4) of Schedule 3 contains the equivalent provision to paragraph 36(4) of Schedule 1 and paragraph 90 the equivalent provision to paragraph 72 of Schedule 1 (see above) in implementation of article 4 of Directive 2006/46.

Regulations 7 and 8 of, and Schedules 4 and 5 to, the Regulations specify information about related undertakings and directors' remuneration which a company must include in the notes to the individual accounts which it prepares, whether they are Companies Act individual accounts or IAS individual accounts. The Schedules re-enact Schedules 5 and 6 to the 1985 Act and Schedules 5 and 6 to the 1986 Order.

Regulation 9 of, and Schedule 6 to, the Regulations specify the form and content of group accounts. The Schedule re-enacts Schedule 4A to the 1985 Act and Schedule 4A to the 1986 Order, save that paragraphs 9, 13 and 17 have been simplified to facilitate convergence with international accounting standards.

Regulation 10 of, and Schedule 7 to, the Regulations specify information to be included in the directors' report which the directors of a company are required to prepare under section 415 of the 2006 Act. The Schedule re-enacts the provisions in Schedule 7 to the 1985 Act and Schedule 7 to the 1986 Order, save that the thresholds for disclosure of political donations and expenditure and charitable donations have been raised from £200 to £2000 (paragraphs 3 and 5), and that provision is now made for disclosure of donations to independent election candidates (paragraph 3). Paragraphs 13 and 14 of Schedule 7 continue the implementation of Directive [2004/25/EEC](#) of the European Parliament and the Council of 21st April 2005 on takeover bids (O.J. L142 of 30th April 2004, pages 12 to 23).

Regulation 11 of, and Schedule 8 to, the Regulations specify information to be included in the directors' remuneration report which the directors of a quoted company are required to prepare under section 420 of the 2006 Act. The Schedule re-enacts the provisions in Schedule 7A to the 1985 Act and Schedule 7A to the 1986 Order, with the addition of a new requirement in paragraph 4 that the directors' remuneration report contain a statement of how pay and employment conditions elsewhere in the company and group have been taken into account in determining directors' remuneration for the financial year in question.

Regulation 12 of, and Schedule 9 to, the Regulations define the term "provisions" for the purposes of the Regulations and for the purposes of sections 677(3)(a) (Companies Act accounts: relevant provisions for purposes of financial assistance), 712(2)(b)(i) (Companies Act accounts: relevant provisions to determine available profits for redemption or purchase out of capital), 831(3)(a) (Companies Act accounts: net asset restriction on public company distributions), 832(4)(a) (Companies Act accounts: investment companies distributions) and 836(1)(b)(i) (Companies Act accounts: relevant provisions for distribution purposes) of the 2006 Act.

Regulation 13 of, and Schedule 10 to, the Regulations contain general interpretation provisions. A transposition note has been prepared which sets out how Directive 2006/46 is to be transposed into UK law. An Impact Assessment of the effect that the implementation of Directive 2006/46 will have on the costs of business, charities or voluntary bodies has also been prepared, as has an Impact Assessment of the new requirement in paragraph 4 of Schedule 8 to the Regulations for disclosure in the directors' remuneration report. All are available from the Department for Business, Enterprise and Regulatory Reform, Corporate Law and Governance Directorate, 1

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**Changes to legislation:** *There are currently no known outstanding effects for the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. (See end of Document for details)*

Victoria Street, London SW1. They are also available electronically at [www.berr.gov.uk](http://www.berr.gov.uk). Copies have also been placed in the libraries of both Houses of Parliament. Otherwise, an Impact Assessment has not been produced for these Regulations as they have only a negligible impact on the costs of business, charities or voluntary bodies.

**Changes to legislation:**

There are currently no known outstanding effects for the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.