

SCHEDULE 1

Regulation 3

IAS ACCOUNTS: CONSEQUENTIAL AMENDMENTS TO 1985 ACT

1. The 1985 Act is amended as follows.
2. In section 152(2) (definition of “net assets” for Chapter 6 of Part 5), after “Schedule 4” insert “that is made in Companies Act individual accounts and any provision that is made in IAS individual accounts”.
3. In section 172(2) (determination of availability of profits where private company wishes to redeem or purchase own shares out of capital)—
 - (a) after “reference to” insert “the following items as stated in the relevant accounts for determining the permissible capital payments for shares”,
 - (b) in paragraph (b)—
 - (i) at the beginning insert—
“the following provisions—
(i) in the case of Companies Act individual accounts,”;
 - (ii) after “etc)” insert—
“, and
(ii) in the case of IAS individual accounts, provisions of any kind,” and
 - (c) omit from “as stated” to the end.
4. In section 221 (duty to keep accounting records)(1), in subsections (1)(b) and (4)—
 - (a) for “any balance sheet and profit and loss account prepared under this Part complies” substitute “any accounts required to be prepared under this Part comply”; and
 - (b) at the end insert “(and, where applicable, of Article 4 of the IAS Regulation)”.
5. In section 222(3)(b) (accounts and returns to be sent to Great Britain)(2)—
 - (a) for “the company’s balance sheet and profit and loss account” substitute “the accounts required to be prepared under this Part”; and
 - (b) at the end insert “(and, where applicable, Article 4 of the IAS Regulation)”.
6. In section 228 (exemption from obligation to prepare group accounts for parent companies included in accounts of larger group)(3), in subsection (2)(b) at the end insert “or in accordance with international accounting standards”.
7. In section 229 (subsidiary undertakings included in the consolidation)—
 - (a) in subsection (1)—
 - (i) at the beginning insert “In the case of Companies Act group accounts,”;
 - (ii) omit “or required”;
 - (b) in each of subsections (2) and (3), after “consolidation” insert “in Companies Act group accounts”;
 - (c) for subsection (5) substitute—

(1) Section 221 was substituted by section 2 of the Companies Act 1989.

(2) Section 222 was substituted by section 2 of the Companies Act 1989.

(3) Section 228 was substituted by section 5(3) of the Companies Act 1989, and amended by regulation 4 of S.I. 1992/3178, by regulation 5(1) of, and paragraph 1 of Schedule 2 to, S.I. 1993/3246, by regulation 4 of S.I. 1996/189 and by section 30 of the Welsh Language Act 1993 (c. 38).

“(5) A parent company is exempt from the requirement to prepare group accounts if under subsection (2) or (3) all of its subsidiary undertakings could be excluded from consolidation in Companies Act group accounts.”

8. In section 230 (treatment of individual profit and loss account where group accounts prepared)(4), in subsection (2) at the beginning insert “Where the company prepares Companies Act individual accounts,”.

9. After section 231 insert—

“Disclosure required in notes to annual accounts: particulars of staff

231A.—(1) The following information with respect to the employees of the company must be given in notes to the company’s annual accounts—

- (a) the average number of persons employed by the company in the financial year, and
- (b) the average number of persons so employed within each category of persons employed by the company.

(2) The average number required by subsection (1)(a) or (b) is determined by dividing the relevant annual number by the number of months in the financial year.

(3) The relevant annual number is determined by ascertaining for each month in the financial year—

- (a) for the purposes of subsection (1)(a), the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);
- (b) for the purposes of subsection (1)(b), the number of persons in the category in question of persons so employed;

and, in either case, adding together all the monthly numbers.

(4) In respect of all persons employed by the company during the financial year who are taken into account in determining the relevant annual number for the purposes of subsection (1)(a) there must also be stated the aggregate amounts respectively of—

- (a) wages and salaries paid or payable in respect of that year to those persons;
- (b) social security costs incurred by the company on their behalf; and
- (c) other pension costs so incurred.

This does not apply in so far as those amounts, or any of them, are stated elsewhere in the company’s accounts.

(5) For the purposes of subsection (1)(b), the categories of person employed by the company are such as the directors may select, having regard to the manner in which the company’s activities are organised.

(6) This section applies in relation to group accounts as if the undertakings included in the consolidation were a single company.

(7) In this section “social security costs” and “pension costs” have the same meaning as in Schedule 4 (see paragraph 94(1) and (2) of that Schedule).”

10. In section 233(5) (criminal penalty for failing to comply with accounting requirements)(5), after “requirements of this Act” insert “(or, where applicable, of Article 4 of the IAS Regulation)”.

(4) Section 230 was substituted by section 5(4) of the Companies Act 1989.

(5) Section 233 was substituted by section 7 of the Companies Act 1989.

11.—(1) In sections 245 to 245C (revision of defective accounts or reports)(**6**), after “requirements of this Act”, wherever occurring, insert “(or, where applicable, of Article 4 of the IAS Regulation)”.

(2) That expression occurs in section 245(1) and (2), in section 245A(1), in section 245B(1), (4) and (5) and in section 245C(1).

12.—(1) Section 246 (special provisions for small companies)(**7**) is amended as follows.

(2) In subsection (2)—

(a) after “for the year” insert “are Companies Act individual accounts and”; and

(b) for “section 226” substitute “section 226A”.

(3) In subsection (5)(c), after “if” insert “they prepare Companies Act individual accounts and”.

13. In section 246A(1) (special provisions for medium-sized companies)(**8**), in subsection (1) at the end insert “and its directors prepare Companies Act individual accounts for that year”.

14. In section 247 (qualification of company as small or medium-sized)(**9**), for subsection (5) substitute—

“(5) The balance sheet total means—

(a) in the case of Companies Act individual accounts—

(i) the aggregate of the amounts shown in the balance sheet under the headings corresponding to items A to D of Format 1 in Part 1 of Schedule 4 or Part 1 of Schedule 8, or

(ii) if Format 2 is adopted, the aggregate of the amounts shown under the general heading “ASSETS”;

(b) in the case of IAS individual accounts, the aggregate of the amounts shown as assets in the balance sheet.”

15. In section 248A(1)(b) (group accounts prepared by small company)(**10**) for “group accounts” substitute “Companies Act group accounts”.

16. In section 249C (report required for the purposes of exemption from audit under section 249A)(**11**), in subsection (6)(a), for “section 226(3)” substitute “section 226A(3)”.

17. In section 255 (special provisions for banking and insurance companies)(**12**), after subsection (4) insert—

“(4A) References to Companies Act individual accounts include accounts prepared in accordance with this section.

(4B) This section does not apply to banking companies and insurance companies that prepare IAS individual accounts.”

(6) Sections 245 to 245C were inserted by section 12 of the Companies Act 1989. Section 245 was amended by regulation 4 of, and paragraph 2 in Part I of Schedule 1 to, S.I. 1994/1935, and by regulation 10 of S.I. 2002/1986. Section 245B was also amended by regulation 10 of S.I. 2002/1986.

(7) Section 246 was substituted by section 13 of the Companies Act 1989, and amended by regulation 2(1) of S.I. 1997/220, by regulation 6(1) of S.I. 1997/570 and by regulation 8(1) of S.I. 2000/1430.

(8) Section 246A was inserted by regulation 3 of S.I. 1997/220.

(9) Section 247 was substituted by section 13(1) of the Companies Act 1989, and amended by regulation 5 of S.I. 1992/2452, by regulation 8 of S.I. 1996/189 and by regulation 7 of S.I. 1997/220.

(10) Section 248A was inserted by regulation 6 of S.I. 1997/220.

(11) Section 249C was inserted by regulation 2 of S.I. 1994/1935, and amended by regulation 7(3) of S.I. 1997/220 and by regulation 8(3) of S.I. 2000/1430.

(12) Section 255 (as substituted by section 18 of the Companies Act 1989) was substituted by regulation 3 of S.I. 1991/2705, and amended by regulation 2 of S.I. 1993/3246.

18.—(1) Section 255A (special provisions for banking and insurance groups)(**13**) is amended as follows.

(2) In subsection (6)(a), for “section 227(5) and (6)” substitute “section 227A(4) and (5)”.

(3) After subsection (6) insert—

“(6A) References to Companies Act group accounts include accounts prepared in accordance with subsections (1) to (3).

(6B) Subsections (1) to (3) and (6) do not apply to parent companies of banking groups or insurance groups that prepare IAS group accounts.”

19. In section 261(2) (notes to the accounts)(**14**), after “any provision of this Act” insert “or international accounting standards”.

20.—(1) Section 262 (minor definitions)(**15**) is amended as follows.

(2) In subsection (1)—

(a) at the appropriate place insert—

““Companies Act accounts” means Companies Act individual accounts or Companies Act group accounts;”;

(b) at the appropriate place insert—

““IAS accounts” means IAS individual accounts or IAS group accounts;”;

(c) at the appropriate place insert—

““IAS Regulation” means EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19th July 2002 on the application of international accounting standards;”(**16**);

(d) at the appropriate place insert—

““international accounting standards” means the international accounting standards, within the meaning of the IAS Regulation, adopted from time to time by the European Commission in accordance with that Regulation;”;

(e) at the appropriate place insert—

““profit and loss account”, in relation to a company that prepares IAS accounts, includes an income statement or other equivalent financial statement required to be prepared by international accounting standards;”;

(f) omit the definition of “true and fair view”.

(3) After subsection (2) insert—

“(2A) References in this Part to accounts giving a “true and fair view” are references—

(a) in the case of Companies Act individual accounts, to the requirement under section 226A that such accounts give a true and fair view;

(b) in the case of Companies Act group accounts, to the requirement under section 227A that such accounts give a true and fair view; and

(c) in the case of IAS accounts, to the requirement under international accounting standards that such accounts achieve a fair presentation.”

(13) Section 255A (as inserted by section 18 of the Companies Act 1989) was substituted by regulation 3 of S.I. [1991/2705](#), and amended by regulation 3 of S.I. [1993/3246](#) and by regulation 15 of S.I. [1996/189](#).

(14) Section 261 was substituted by section 22 of the Companies Act 1989.

(15) Section 262 was substituted by section 22 of the Companies Act 1989, and amended by regulation 7 of S.I. [1992/3178](#), by regulation 12(1) of S.I. [1996/189](#), by regulation 4 of S.I. [1997/2306](#), by regulation 2 of S.I. [2000/2952](#), by article 16(1) of S.I. [2000/3373](#), by regulation 2 of S.I. [2002/765](#) and by regulation 10 of S.I. [2002/1986](#).

(16) Official Journal of 11th September 2002 (O.J.L243).

21.—(1) Section 262A (index of defined expressions)(**17**) is amended as follows.

(2) At the appropriate places insert the following defined expressions—

“Companies Act accounts	Section 262(1)”
“Companies Act group accounts	Sections 227(2) and 255A(6A)”
“Companies Act individual accounts	Sections 226(2) and 255(4A)”
“group accounts	Section 227(1)”
“IAS accounts	Section 262(1)”
“IAS group accounts	Section 227(2) and (3)”
“IAS individual accounts	Section 226(2)”
“IAS Regulation	Section 262(1)”
“international accounting standards	Section 262(1)”.

(3) After the entry for “profit and loss account (includes notes)” insert—

“(in relation to IAS accounts)	Section 262(1)”.
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(4) For the entry for “true and fair view” substitute—

“true and fair view	Section 262(2A)”.
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22. In section 264(2) (restriction on distribution of assets), after “Schedule 4” insert “that is made in Companies Act accounts and any provision that is made in IAS accounts”.

23. In section 265(2) (other distributions by investment companies)(**18**), at the end insert “that is made in Companies Act accounts and any provision that is made in IAS accounts”.

24. In section 268(2)(aa) (realised profits of insurance company with long term business)(**19**)—

(a) after “balance sheet is” insert—

“(i) in the case of Companies Act individual accounts,”;

(b) at the end insert —

(17) Section 262A was inserted by section 22 of the Companies Act 1989, and amended by regulation 6 of, and paragraph 3 of Schedule 2 to, S.I. 1991/2705, by regulation 5 of, and paragraph 5 of Schedule 2 to, S.I. 1993/3246, by regulation 4(2) of S.I. 1994/233, by regulation 4 of, and paragraph 3 of Schedule 1 to, S.I. 1994/1935, by regulation 12(2) of S.I. 1996/189, by regulation 7 of S.I. 1997/220, by regulation 4(4) of S.I. 1997/2306, by article 16(2) of S.I. 2000/3373 and by regulation 10 of S.I. 2002/1986.

(18) Section 265 was amended by section 212 of, and paragraph 19 of Schedule 16 to, the Financial Services Act 1986, by regulation 2 of S.I. 1999/2770 and by article 17 of S.I. 2001/3649.

(19) Section 268 was amended by regulation 13 of S.I. 1996/189 and by article 18 of S.I. 2001/3649.

“and

(ii) in the case of IAS individual accounts, to that part of the balance sheet which represents accumulated profit or loss,”.

25.—(1) Section 269(2) (treatment of development costs)(**20**) is amended as follows.

(2) Omit “and” at the end of paragraph (a).

(3) In paragraph (b)—

(a) at the beginning insert—

“it is stated—

(i) in the case of Companies Act individual accounts, in”;

(b) for “states” substitute—

“, or

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

(c) for “and explains” substitute—

“, and

(c) the note explains”.

26. In section 270(2) (distribution to be justified by reference to company’s accounts), in paragraph (b)—

(a) at the beginning insert—

“the following provisions—

(i) in the case of Companies Act individual accounts,”;

(b) after “etc)” insert—

“, and

(ii) in the case of IAS individual accounts , provisions of any kind”.

27. In section 272(3) (interim accounts must be properly prepared)(**21**) after “that section” insert “and sections 226A and 226B”.

28. In section 275 (treatment of assets in the relevant accounts), for subsection (1) substitute—

“(1) For purposes of sections 263 and 264, the following are treated as realised losses—

(a) in the case of Companies Act individual accounts, provisions of any kind mentioned in paragraphs 88 and 89 of Schedule 4 (other than revaluation provisions), and

(b) in the case of IAS individual accounts, provisions of any kind (other than revaluation provisions).

(1A) In subsection (1), a revaluation provision means a provision in respect of a diminution in value of a fixed asset appearing on a revaluation of all the fixed assets of the company, or of all of its fixed assets other than goodwill.”

(20) Section 269 was amended by regulation 7 of S.I. [1997/220](#).

(21) Section 272 was amended by section 23 of, and paragraphs 5 and 6 of Schedule 10 to, the Companies Act 1989, and by section 30 of the Welsh Language Act [1993 \(c. 38\)](#).

29. In section 742(1) (expressions used in connection with accounts)(**22**) insert at the appropriate place “ “Companies Act accounts” ”, “ “Companies Act individual accounts” ”, “ “IAS accounts” ” and “ “IAS individual accounts” ”.

30.—(1) Section 744A (index of defined expressions)(**23**) is amended as follows.

(2) At the appropriate places insert the following defined expressions—

“Companies Act accounts	Sections 262(1) and 742(1)”
“Companies Act individual accounts	Sections 226(2), 255(4A) and 742(1)”
“IAS accounts	Sections 262(1) and 742(1)”
“IAS individual accounts	Sections 226(2) and 742(1)”.

(3) In the definition of “profit and loss account”, in the second column, for “262(1)” substitute “262(1) and (2)”.

31.—(1) Schedule 4 (form and content of company accounts)(**24**) is amended as follows.

(2) In Part 3 (notes to the accounts), omit paragraph 56.

(3) In Part 5 (special provisions where the company is an investment company), in paragraph 72(2) after “paragraph 89” insert “that is made in Companies Act accounts and any provision that is made in IAS accounts”.

(4) In Part 7 (interpretation) in paragraph 94(3) for “paragraph 56(1)(a)” substitute “section 231A(1)(a)”.

32. In paragraph 25 of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others)(**25**), after “Schedule 4” insert “that is made in Companies Act accounts and any provision that is made in IAS accounts”.

33. In Schedule 7, in paragraph 12(5)(c) (identifying amounts owed to trade creditors for purposes of directors' report)(**26**) after “Schedule 9 or 9A” insert “or the company’s accounts are IAS accounts”.

34. In Part 1 of Schedule 9 (form and content of banking companies' accounts)(**27**)—

(a) omit paragraph 77, and

(b) in paragraph 87(c) (interpretation) for “paragraph 77(1)(a)” substitute “section 231A(1)(a)”.

(22) Section 742 was substituted by section 23 of, and paragraph 15 of Schedule 10 to, the Companies Act 1989 and amended by article 28 of S.I. 2000/3373.

(23) Section 744A was inserted by section 145 of, and paragraph 20 of Schedule 19 to, the Companies Act 1989 and amended by section 79 of, and paragraph 4 of Schedule 5 to, the Criminal Justice Act 1993, regulation 4 of S.I. 1997/2306, article 30 of S.I. 2000/3373, article 31 of S.I. 2001/3649 and by regulation 4 of, and paragraph 29 of the Schedule to, S.I. 2003/1116.

(24) Schedule 4 was amended by section 4(2) of, and Schedule 1 to, the Companies Act 1989.

(25) Paragraph 25 and its internal cross-references were renumbered by section 6 of, and paragraph 4 of Schedule 4 to, the Companies Act 1989.

(26) Paragraph 12 was inserted by regulation 14 of S.I. 1996/189 and substituted by regulation 2 of S.I. 1997/571.

(27) Parts I to III of Schedule 9 were inserted before a re-numbered Schedule 9A by regulation 5 of, and Schedule 1 to, S.I. 1991/2705. Part IV of Schedule 9 was substituted by section 18(3) and (4) of and Part IV of Schedule 7 to, the Companies Act 1989.

- 35.** In Part 1 of Schedule 9A (form and content of insurance companies' accounts)(**28**)—
- (a) omit paragraph 79, and
 - (b) in paragraph 86(c) (interpretation) for “paragraph 79(1)(a) above” substitute “section 231A(1)(a)”.
- 36.**—(1) Schedule 11 (modifications of Part 8 for banking and insurance companies)(**29**) is amended as follows.
- (2) In paragraph 5, for “section 226” substitute “sections 226, 226A and 226B”.
 - (3) At the beginning of paragraph 9 insert “In the case of Companies Act accounts,” .
 - (4) In paragraph 10, for “section 226” substitute “sections 226, 226A and 226B”.

(28) Parts I and II of Schedule 9 to the Companies Act 1985 were formed into a new Schedule 9A by regulation 5(1) of S.I. [1991/2705](#). A new Schedule 9A was substituted by regulation 4 of, and Schedule 1 to, S.I. [1993/3246](#).

(29) Schedule 11 was amended by section 23 of, and paragraph 21 of Schedule 10 to, the Companies Act 1989, by regulation 7 of, and Schedule 3 to, S.I. [1991/2705](#), and by regulation 5 of, and paragraph 8 of Schedule 2 to, S.I. [1993/3246](#) and by regulation 14 of, and Schedule 6 to, S.I. [1996/189](#).