

Draft Regulations laid before Parliament under paragraph 2(2) of Schedule 2 to the European Communities Act 1972, section 17(4) and (5)(b) of the Limited Liability Partnerships Act 2000 and sections 473(3) and 1290 of the Companies Act 2006, for approval by resolution of each House of Parliament.

D R A F T S T A T U T O R Y I N S T R U M E N T S

2016 No. XXXX

LIMITED LIABILITY PARTNERSHIPS

PARTNERSHIP

COMPANIES

**The Limited Liability Partnerships, Partnerships and Groups
(Accounts and Audit) Regulations 2016**

Made - - - - - *******

Coming into force in accordance with regulation 2(1)

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The Secretary of State is a Minister designated(a) for the purposes of section 2(2) of the European Communities Act 1972(b) in relation to the creation, operation, regulation or dissolution of companies and other forms of business organisation, and in relation to auditors and the audit of accounts.

The Secretary of State makes the following Regulations in exercise of the powers conferred by section 2(2) of that Act, sections 15 and 17 of the Limited Liability Partnerships Act 2000(c) and section 396(3) of the Companies Act 2006(d).

In accordance with paragraph 2(2) of Schedule 2 to the European Communities Act 1972(e), section 17(4) and (5)(b) of the Limited Liability Partnerships Act 2000(f) and sections 473(3) and 1290 of the Companies Act 2006, a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

PART 1

Introduction

Citation and interpretation

1.—(1) These Regulations may be cited as the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016.

(2) In these Regulations—

“the Act” means the Companies Act 2006(g);

“the Large and Medium-sized Companies Accounts Regulations” means the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(h);

“the Small Companies Accounts Regulations” means the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008(i);

“the 2008 Regulations” means the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008(j); and

“LLP” means a limited liability partnership registered under the Limited Liability Partnerships Act 2000.

Commencement and application

2.—(1) These Regulations come into force on the seventh day after the day on which they are made.

(2) The amendments made by Parts 2 to 4 of these Regulations (other than regulations 26, 46 and 62) have effect in relation to—

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- (a) S.I. 2007/193, to which there are amendments not relevant to these Regulations, and S.I. 2007/1679.
- (b) 1972 c.68; section 2(2) was amended by section 27(1)(a) of the Legislative and Regulatory Reform Act 2006 (c.51) and by Part 1 of the Schedule to the European Union (Amendment) Act 2008 (c.7). The enabling powers of section 2(2) were extended by virtue of the amendment of section 1(2) by section 1 of the European Economic Area Act 1993 (c.51).
- (c) 2000 c.12.
- (d) 2006 c. 46.
- (e) Paragraph 2(2) of Schedule 2 was amended by section 27(c) of the Legislative and Regulatory Reform Act 2006.
- (f) Section 17(5)(b) was substituted by S.I. 2009/1804, regulation 85 and paragraph 7(1) and (3) of Part 1 of Schedule 3.
- (g) 2006 c.46. Provisions of Parts 15 and 16 (accounts, reports and audit) were applied with modifications to LLPs by S.I. 2008/1911 and to qualifying partnerships by S.I. 2008/569.
- (h) S.I. 2008/410, amended by S.I. 2015/980; there are other amending instruments but none is relevant. Provisions of S.I. 2008/410 were applied with modifications to LLPs by S.I. 2008/1913 and to qualifying partnerships by S.I. 2008/569.
- (i) S.I. 2008/409; relevant amending instruments are S.I. 2013/3008 and 2015/980. Provisions of S.I. 2008/409 were applied with modifications to LLPs by S.I. 2008/1912 and to qualifying partnerships by S.I. 2008/569.
- (j) S.I. 2008/1911; relevant amending instruments are S.I. 2009/1342, 2009/1804, 2011/99, 2012/1439, 2012/2301, 2013/472.

- (a) financial years beginning on or after 1st January 2016; and
- (b) a financial year of an LLP beginning on or after 1st January 2015, but before 1st January 2016, if—
 - (i) the members of the LLP so decide; and
 - (ii) a copy of the LLP's accounts for that financial year has not been delivered to the registrar in accordance with section 444, 445 or 446 of the Act as applied to LLPs by the 2008 Regulations^(a) (filing obligations of LLPs subject to small LLPs regime, of medium-sized LLPs and of large LLPs) before the date on which these Regulations come into force.

(3) But where—

- (a) by virtue of paragraph (2)(b), the amendments made by Parts 2 to 4 of these Regulations have effect in relation to a financial year beginning on or after 1st January 2015, but before 1st January 2016, and
- (b) as a result the LLP qualifies as a small LLP in relation to that year,

the LLP is not exempt from the requirements of the Act as applied to LLPs by the 2008 Regulations relating to the audit of annual accounts for that year if the LLP would not have been so exempt had the amendments not had effect in relation to that year.

(4) In determining whether an LLP or group qualifies as small or medium-sized under section 382(2), 383(3), 465(2) or 466(3) of the Act as applied to LLPs by the 2008 Regulations^(b) (qualification in relation to subsequent financial year by reference to circumstances in preceding financial years) in relation to a financial year in relation to which the amendments made by Parts 2 to 4 of these Regulations have effect, the LLP or group is to be treated as having qualified as small or medium-sized (as the case may be) in any previous year in which it would have so qualified if amendments to the same effect as the amendments made by Parts 2 to 4 of these Regulations had had effect in relation to that previous year.

(5) Notwithstanding paragraph (2), the members of an LLP cannot take advantage of section 410(2) of the Act as applied to LLPs by the 2008 Regulations^(c) (information about related undertakings: alternative compliance) in relation to annual accounts of the LLP approved, pursuant to section 414 of the Act as applied to LLPs by the 2008 Regulations^(d), on or after 1st July 2016.

(6) The amendment made by regulation 63 has effect in relation to—

- (a) financial years beginning on or after 1st January 2016; and
- (b) a financial year of a qualifying partnership (within the meaning given by regulation 3^(e) of the Partnerships (Accounts) Regulations 2008^(f)) beginning on or after 1st January 2015, but before 1st January 2016, if—
 - (i) the partners so decide; and
 - (ii) no copy of the qualifying partnership's accounts for that financial year has been delivered to the registrar in accordance with regulation 5(1) of those Regulations (delivery of accounts of qualifying partnerships to registrar etc.) before the date on which these Regulations come into force.

(7) The amendment made by regulation 66 has effect in relation to—

- (a) financial years beginning on or after 1st January 2016; and
- (b) a financial year of a company beginning on or after 1st January 2015, but before 1st January 2016, if—

(a) Section 444 as applied to LLPs is amended by regulation 12 of these Regulations. Section 445 as applied to LLPs is amended by regulation 13 of these Regulations.

(b) Sections 382(2) and 383(3) as applied to LLPs are amended by regulation 5 of these Regulations.

(c) Section 410 as applied to LLPs is omitted by regulation 10 of these Regulations.

(d) Section 414 as applied to LLPs is amended by regulation 11 of these Regulations.

(e) Regulation 3 was substituted by S.I. 2013/2005, regulation 4(1) and (3).

(f) S.I. 2008/569, amended by S.I. 2013/2005, 2015/980.

- (i) the directors of the company have decided, pursuant to regulation 2(2)(b) of the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015(a), that the amendments made by those Regulations have effect in relation to that financial year; and
- (ii) a copy of the company's accounts for that financial year has not been delivered to the registrar in accordance with section 445(b), 446(c) or 447(d) of the Act (filing obligations of medium-sized companies, of unquoted companies and of quoted companies) before the date on which these Regulations come into force.

PART 2

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

3.—(1) The 2008 Regulations are amended in accordance with this Part.

(2) Any reference in this Part to a numbered section is a reference to the section so numbered in the Act as applied to LLPs by the 2008 Regulations.

Scheme of Part 15 of the Companies Act 2006 as applied to LLPs

4.—(1) Regulation 4 (scheme of Part 15 as applied to LLPs) is amended as follows.

(2) In section 380 (scheme of Part 15), omit subsections (3) and (4).

LLPs subject to the small LLPs regime

5.—(1) Regulation 5 (LLPs subject to the small LLPs regime) is amended as follows.

(2) In section 382 (LLPs qualifying as small: general)—

(a) after subsection (1) insert—

“(1A) Subject to subsection (2), an LLP qualifies as small in relation to a subsequent financial year if the qualifying conditions are met in that year.”;

(b) for subsection (2) substitute—

“(2) In relation to a subsequent financial year, where on its balance sheet date an LLP meets or ceases to meet the qualifying conditions, that affects its qualification as a small LLP only if it occurs in two consecutive financial years.”; and

(c) in the table in subsection (3)—

(i) in item 1 (turnover), for “Not more than £6.5 million” substitute “Not more than £10.2 million”; and

(ii) in item 2 (balance sheet total), for “Not more than £3.26 million” substitute “Not more than £5.1 million”.

(3) In section 383 (LLPs qualifying as small: parent LLPs)—

(a) after subsection (2) insert—

(a) S.I. 2015/980.

(b) Section 445 was amended by S.I. 2008/393, regulation 6(8); S.I. 2013/1970, regulation 14 and paragraphs 1 and 9 of the Schedule; and S.I. 2015/980, regulation 8(1), (4) and (5).

(c) Section 446 was amended by S.I. 2008/393, regulation 6(9); S.I. 2009/1581, regulation 3(1) to (3); and S.I. 2013/1970, regulation 14 and paragraphs 1 and 10 of the Schedule.

(d) Section 447 was amended by S.I. 2009/1581, regulation 4(1) to (3); S.I. 2013/1970, regulation 14 and paragraphs 1 and 11 of the Schedule.

“(2A) Subject to subsection (3), a group qualifies as small in relation to a subsequent financial year of the parent LLP if the qualifying conditions are met in that year.”;

(b) for subsection (3) substitute—

“(3) In relation to a subsequent financial year of the parent LLP, where on the parent LLP’s balance sheet date the group meets or ceases to meet the qualifying conditions, that affects the group’s qualification as a small group only if it occurs in two consecutive financial years.”; and

(c) in the table in subsection (4)—

(i) in item 1 (aggregate turnover), for “Not more than £6.5 million net (or £7.8 million gross)” substitute “Not more than £10.2 million net (or £12.2 million gross)”;

(ii) in item 2 (aggregate balance sheet total), for “Not more than £3.26 million net (or £3.9 million gross)” substitute “Not more than £5.1 million net (or £6.1 million gross)”.

(4) In section 384 (LLPs excluded from the small LLPs regime)—

(a) in subsection (1)—

(i) omit “is, or”; and

(ii) for paragraph (a) substitute—

“(a) a traded LLP,”; and

(b) for subsection (2)(a) substitute—

“(a) a traded company,”.

LLPs qualifying as micro-entities

6. After regulation 5 (LLPs subject to the small LLPs regime), insert the following—

“LLPs qualifying as micro-entities

5A. Sections 384A and 384B(a) apply to LLPs, modified so that they read as follows—

“384A LLPs qualifying as micro-entities

(1) An LLP qualifies as a micro-entity in relation to its first financial year if the qualifying conditions are met in that year.

(2) Subject to subsection (3), an LLP qualifies as a micro-entity in relation to a subsequent financial year if the qualifying conditions are met in that year.

(3) In relation to a subsequent financial year, where on its balance sheet date an LLP meets or ceases to meet the qualifying conditions, that affects its qualification as a micro-entity only if it occurs in two consecutive financial years.

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

1. Turnover	Not more than £632,000
2. Balance sheet total	Not more than £316,000
3. Number of employees	Not more than 10

(5) For a period that is an LLP’s financial year but not in fact a year the maximum figure for turnover must be proportionately adjusted.

(6) The balance sheet total means the aggregate of the amounts shown as assets in the LLP’s balance sheet.

(a) Sections 384A and 384B of the Companies Act 2006 (c.46) were inserted by S.I. 2013/3008, regulation 4(1) and (4).

(7) The number of employees means the average number of persons employed by the LLP in the year, determined as follows—

- (a) find for each month in the financial year the number of persons employed under contracts of service by the LLP in that month (whether throughout the month or not),
- (b) add together the monthly totals, and
- (c) divide by the number of months in the financial year.

(8) In the case of an LLP which is a parent LLP, the LLP qualifies as a micro-entity in relation to a financial year only if—

- (a) the LLP qualifies as a micro-entity in relation to that year, as determined by subsections (1) to (7), and
- (b) the group headed by the LLP qualifies as a small group, as determined by section 383(2) to (7).

384B LLPs excluded from being treated as micro-entities

(1) The micro-entity provisions do not apply in relation to an LLP's accounts for a particular financial year if the LLP was at any time within that year—

- (a) an LLP excluded from the small LLPs regime by virtue of section 384,
- (b) an investment undertaking as defined in Article 2(14) of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings(a),
- (c) a financial holding undertaking as defined in Article 2(15) of that Directive,
- (d) a credit institution as defined in Article 3 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms(b), other than one referred to in Article 2(5) of that Directive, or
- (e) an insurance undertaking as defined in Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings(c).

(2) The micro-entity provisions also do not apply in relation to an LLP's accounts for a financial year if—

- (a) the LLP is a parent LLP which prepares group accounts for that year as permitted by section 398, or
- (b) the LLP is not a parent LLP but its accounts are included in consolidated group accounts for that year.””.

Annual accounts to give true and fair view

7.—(1) Regulation 8 (annual accounts to give true and fair view) is amended as follows.

(2) In section 393 (accounts to give true and fair view), after subsection (1) insert—

“(1A) Subsection (1B) applies to the members of an LLP which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B) in their consideration of whether the non-IAS individual accounts of the LLP for that year give a true and fair view as required by subsection (1)(a).

(a) OJ No L 182, 29.6.13, p.19.

(b) OJ No L 176, 27.06.13, p.338, as last amended by Directive 2014/59/EU.

(c) OJ No L 374, 31.12.91, p.7, as last amended by Directive 2006/46/EC.

(1B) Where the accounts contain an item of information additional to the micro-entity minimum accounting items, the members must have regard to any provision of an accounting standard which relates to that item.”.

Individual accounts

8.—(1) Regulation 9 (individual accounts) is amended as follows.

(2) In section 394A(2)(c)(a) (individual accounts: exemption for dormant subsidiaries), for subparagraph (i) substitute—

“(i) the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings(b), or”.

(3) In section 394B(c) (LLPs excluded from the dormant subsidiaries exemption), before paragraph (a) insert—

“(za) a traded LLP,”.

(4) In section 396 (non-IAS individual accounts)—

(a) before subsection (1) insert—

“(A1) Non-IAS individual accounts must state—

- (a) the part of the United Kingdom in which the LLP is registered,
- (b) the LLP’s registered number,
- (c) the address of the LLP’s registered office, and
- (d) where appropriate, the fact that the LLP is being wound up.”;

(b) after subsection (2) insert—

“(2A) In the case of the individual accounts of an LLP which qualifies as a micro-entity in relation to the financial year (see sections 384A and 384B), the micro-entity minimum accounting items included in the LLP’s accounts for the year are presumed to give the true and fair view required by subsection (2).”; and

(c) after subsection (5) insert—

“(6) Subsections (4) and (5) do not apply in relation to the micro-entity minimum accounting items included in the individual accounts of an LLP for a financial year in relation to which the LLP qualifies as a micro-entity.”.

(5) For section 397 (IAS individual accounts) substitute—

“397 IAS individual accounts

(1) IAS individual accounts must state—

- (a) the part of the United Kingdom in which the LLP is registered,
- (b) the LLP’s registered number,
- (c) the address of the LLP’s registered office, and
- (d) where appropriate, the fact that the LLP is being wound up.

(2) The notes to the accounts must state that the accounts have been prepared in accordance with international accounting standards.”.

Group accounts

9.—(1) Regulation 10 (group accounts) is amended as follows.

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- (a) Section 394A as applied to LLPs was inserted into regulation 9 of S.I. 2008/1911 by S.I. 2012/2301, regulation 20(1) and (5)(b).
 - (b) OJ No L 182, 29.6.13, p.19, as last amended by Council Directive 2014/102/EU.
 - (c) Section 394B as applied to LLPs was inserted into regulation 9 of S.I. 2008/1911 by S.I. 2012/2301, regulation 20(1) and (5)(b).

- (2) In section 400 (exemption for LLP included in EEA group accounts of larger group)—
- (a) for subsection (1)(b) substitute—
 - “(b) where that parent undertaking holds 90% or more of the shares in the LLP and the remaining members have approved the exemption;
 - (c) where that parent undertaking holds more than 50% (but less than 90%) of the shares in the LLP and notice requesting the preparation of group accounts has not been served on the LLP by the members holding in aggregate at least 5% of the shares in the LLP.

Such notice must be served at least six months before the end of the financial year to which it relates.”;
 - (b) in subsection (2)(b), for sub-paragraph (i) substitute—
 - “(i) in accordance with the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings, or”;
 - (c) in subsection (2)(c), after “the LLP must disclose in” insert “the notes to”;
 - (d) in subsection (2)(d), for sub-paragraph (i) substitute—
 - “(i) the address of the undertaking’s registered office (whether in or outside the United Kingdom), or”;
 - (e) in subsection (3), after “subsection (1)(b)” insert “and (c)”;
 - (f) in subsection (4), for “any of whose securities are admitted to trading on a regulated market in an EEA state” substitute “which is a traded LLP”; and
 - (g) omit subsection (5).
- (3) In section 401(exemption for LLP included in non-EEA group accounts of larger group)—
- (a) for subsection (1)(b) substitute—
 - “(b) where that parent undertaking holds 90% or more of the shares in the LLP and the remaining members have approved the exemption;
 - (c) where that parent undertaking holds more than 50% (but less than 90%) of the shares in the LLP and notice requesting the preparation of group accounts has not been served on the LLP by the members holding in aggregate at least 5% of the shares in the LLP.

Such notice must be served at least six months before the end of the financial year to which it relates.”;
 - (b) for subsection (2)(b) substitute—
 - “(b) those accounts must be drawn up—
 - (i) in accordance with the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings,
 - (ii) in a manner equivalent to consolidated accounts so drawn up,
 - (iii) in accordance with international accounting standards adopted pursuant to the IAS Regulation, or
 - (iv) in accordance with accounting standards which are equivalent to such international accounting standards, as determined pursuant to Commission Regulation (EC) No. 1569/2007 of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council(a);”;
 - (c) in subsection (2)(e), for sub-paragraph (i) substitute—

(a) OJ No L 340, 22.12.07, p.66, as last amended by Commission Delegated Regulation (EU) 2015/1605.

- “(i) the address of the undertaking’s registered office (whether in or outside the United Kingdom), or”;
- (d) in subsection (3), after “subsection (1)(b)” insert “and (c)”;
- (e) in subsection (4), for “any of whose securities are admitted to trading on a regulated market in an EEA State” substitute “which is a traded LLP”; and
- (f) omit subsection (5).
- (4) In section 404 (non-IAS group accounts), before subsection (1) insert—
 - “(A1) Non-IAS group accounts must state, in respect of the parent LLP—
 - (a) the part of the United Kingdom in which the LLP is registered,
 - (b) the LLP’s registered number,
 - (c) the address of the LLP’s registered office, and
 - (d) where appropriate, the fact that the LLP is being wound up.”.
- (5) In section 405 (non-IAS group accounts: subsidiary undertakings included in the consolidation), at the beginning of subsection (3)(b) insert “extremely rare circumstances mean that”.
- (6) For section 406 (IAS group accounts) substitute—

“406 IAS group accounts

- (1) IAS group accounts must state—
 - (a) the part of the United Kingdom in which the LLP is registered,
 - (b) the LLP’s registered number,
 - (c) the address of the LLP’s registered office, and
 - (d) where appropriate, the fact that the LLP is being wound up.
- (2) The notes to the accounts must state that the accounts have been prepared in accordance with international accounting standards.”.
- (7) In section 408 (individual profit and loss account where group accounts prepared)—
 - (a) for subsection (1)(b) substitute—
 - “(b) the LLP’s individual balance sheet shows the LLP’s profit and loss for the financial year determined in accordance with this Act.”; and
 - (b) omit subsection (2).

Information to be given in notes to accounts

- 10.**—(1) Regulation 11 (information to be given in notes to accounts) is amended as follows.
- (2) For “Section 409 to 411(a) apply to LLPs” substitute “Sections 409, 410A and 411 apply to LLPs”.
- (3) Omit section 410 (information about related undertakings: alternative compliance).
- (4) In section 410A (information about off-balance sheet arrangements)—
 - (a) for subsection (1) substitute—
 - “(1) If in any financial year—
 - (a) an LLP is or has been party to arrangements that are not reflected in its balance sheet, and
 - (b) at the balance sheet date the risks or benefits arising from those arrangements are material,

(a) Section 410 of the Companies Act 2006 (c.46) was repealed by S.I. 2015/980, regulation 5(1) and (13).

the information required by this section must be given in the notes to the LLP's annual accounts.”; and

(b) for subsection (4) substitute—

“(4) If the LLP is subject to the small LLPs regime in relation to the financial year (see section 381), it need not comply with subsection (2)(b).”.

(5) In section 411 (information about employee numbers and costs)—

(a) for subsection (1) substitute—

“(1) The notes to an LLP's annual accounts must disclose the average number of persons employed by the LLP in the financial year.

(1A) In the case of an LLP not subject to the small LLPs regime, the notes to the LLP's accounts must also disclose the average number of persons within each category of persons so employed.”;

(b) in subsection (2), for “subsection (1)(b)” substitute “subsection (1A)”;

(c) in subsection (3), for “subsection (1)(a) or (b)” substitute “subsection (1) or (1A)”;

(d) in subsection (4)—

(i) in paragraph (a), for “subsection (1)(a)” substitute “subsection (1)”;

(ii) in paragraph (b), for “subsection (1)(b)” substitute “subsection (1A)”;

(e) for subsection (5) substitute—

“(5) Except in the case of an LLP subject to the small LLPs regime, the notes to the LLP's annual accounts or the profit and loss account must disclose, with reference to all persons employed by the LLP during the financial year, the total staff costs of the LLP relating to the financial year broken down between—

(a) wages and salaries paid or payable in respect of that year to those persons,

(b) social security costs incurred by the LLP on their behalf, and

(c) other pension costs so incurred.”.

Approval and signing of accounts

11.—(1) Regulation 12 (approval and signing of accounts) is amended as follows.

(2) In section 414 (approval and signing of accounts), for subsection (3) substitute—

“(3) If the accounts are prepared in accordance with the small LLPs regime, the balance sheet must contain, in a prominent position above the signature—

(a) in the case of individual accounts prepared in accordance with the micro-entity provisions, a statement to that effect,

(b) in the case of accounts not prepared as mentioned in paragraph (a), a statement to the effect that the accounts have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime.”.

Duty to file accounts and reports

12.—(1) Regulation 17 (duty to file accounts and reports) is amended as follows.

(2) In section 442 (period allowed for filing accounts)—

(a) in subsection (5), for “If” substitute “Subject to subsection (5A), if”; and

(b) after subsection (5) insert—

“(5A) Any such extension must not have the effect of extending the period for filing to more than twelve months after the end of the relevant accounting reference period.”;

(3) In section 444 (filing obligations of LLPs subject to small LLPs regime)—

(a) in subsection (1)(a), for “a balance sheet” substitute “the balance sheet”;

- (b) in subsection (2), for “The” substitute “Where the designated members deliver to the registrar a copy of the LLP’s profit and loss account under subsection (1)(b), the”;
- (c) after subsection (2) insert—
 - “(2A) Where the balance sheet or profit and loss account is abridged pursuant to paragraph 1A of Schedule 1 to the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1912)(a), the designated members must also deliver to the registrar a statement by the LLP that all the members of the LLP have consented to the abridgement.”;
- (d) in subsection (3), omit from “, except that where” to the end of that subsection;
- (e) omit subsection (4);
- (f) in subsection (5), omit “deliver to the registrar IAS accounts, or non-IAS accounts that are not abbreviated accounts, and in accordance with this section”; and
- (g) after subsection (5) insert—
 - “(5A) Subject to subsection (5C), where the designated members of an LLP subject to the small LLPs regime do not deliver to the registrar a copy of the LLP’s profit and loss account—
 - (a) the copy of the balance sheet delivered to the registrar must disclose that fact, and
 - (b) unless the LLP is exempt from audit and the members have taken advantage of that exemption, the notes to the balance sheet delivered must satisfy the requirements in subsection (5B).
 - (5B) Those requirements are that the notes to the balance sheet must—
 - (a) state whether the auditor’s report was qualified or unqualified,
 - (b) where that report was qualified, disclose the basis of the qualification (reproducing any statement under section 498(2)(a) or (b) or (3), if applicable),
 - (c) where that report was unqualified, include a reference to any matters to which the auditor drew attention by way of emphasis, and
 - (d) state—
 - (i) the name of the auditor and (where the auditor is a firm) the name of the person who signed the auditor’s report as senior statutory auditor, or
 - (ii) if the conditions in section 506 (circumstances in which names may be omitted) are met, that a determination has been made and notified to the Secretary of State in accordance with that section.
 - (5C) Subsection (5A) does not apply in relation to an LLP if—
 - (a) the LLP qualifies as a micro-entity (see sections 384A and 384B) in relation to a financial year, and
 - (b) the LLP’s accounts are prepared for that year in accordance with any of the micro-entity provisions.”.

Filing obligations of medium-sized LLPs

- 13.**—(1) Regulation 18 (filing obligations of medium-sized LLPs) is amended as follows.
- (2) In section 445 (filing obligations of medium-sized LLPs)—
- (a) at the end of subsection (2) insert—
 - “This does not apply if the LLP is exempt from audit and the members have taken advantage of that exemption.”; and
 - (b) omit subsections (3) and (4).

(a) Paragraph 1A of Schedule 1 is inserted by regulation 34 of these Regulations.

Filing obligations of large LLPs

- 14.**—(1) Regulation 19 (filing obligations of large LLPs) is amended as follows.
- (2) In section 446 (filing obligations of large LLPs), at the end of subsection (2) insert—
- “This does not apply if the LLP is exempt from audit and the members have taken advantage of that exemption.”.

Exemption for dormant subsidiary LLPs

- 15.**—(1) Regulation 19A(a) (exemption for dormant subsidiary LLPs) is amended as follows.
- (2) In section 448A (dormant subsidiary LLPs exempt from obligation to file accounts), for subsection (2)(c)(i) substitute—
- “(i) the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings(b), or”.
- (3) In section 448B (LLPs excluded from the dormant subsidiaries exemption), before paragraph (a) insert—
- “(za) a traded LLP,”.

Removal of requirements relating to abbreviated accounts

- 16.**—(1) Omit regulation 20 (requirements where abbreviated accounts delivered).
- (2) Omit regulation 21 (approval and signing of abbreviated accounts).

Medium-sized LLPs

- 17.**—(1) Regulation 26 (medium-sized LLPs) is amended as follows.
- (2) In the table in section 465(3) (LLPs qualifying as medium-sized: general)—
- (a) in item 1 (turnover), for “Not more than £25.9 million” substitute “Not more than £36 million”; and
- (b) in item 2 (balance sheet total), for “Not more than £12.9 million” substitute “Not more than £18 million”.
- (3) In the table in section 466(4) (LLPs qualifying as medium-sized: parent LLPs)—
- (a) in item 1 (aggregate turnover), for “Not more than £25.9 million net (or £31.1 million gross)” substitute “Not more than £36 million net (or £43.2 million gross)”; and
- (b) in item 2 (aggregate balance sheet total), for “Not more than £12.9 million net (or £15.5 million gross)” substitute “Not more than £18 million net (or £21.6 million gross)”.
- (4) In section 467 (LLPs excluded from being treated as medium-sized)—
- (a) for subsection (1)(a) substitute—
- “(a) a traded LLP,”; and
- (b) for subsection (2)(a) substitute—
- “(a) a traded company,”.

Preparation and filing of accounts in euros

- 18.**—(1) Regulation 28 (other supplementary provisions) is amended as follows.
- (2) In section 469 (preparation and filing of accounts in euros), after subsection (3) insert—

(a) Regulation 19A was inserted by S.I. 2012/2301, regulation 20(1) and (7).

(b) OJ No L 182, 29.6.13, p. 19, as last amended by Council Directive 2014/102/EU.

“(3A) Subsection (3)(b) does not apply to the non-IAS individual accounts of an LLP for a financial year in which the LLP qualifies as a micro-entity (see sections 384A and 384B).”.

Meaning of “annual accounts”

19.—(1) Regulation 29 (meaning of “annual accounts”) is amended as follows.

(2) In section 471(1)(a) (meaning of “annual accounts” and related expressions), for “given in group accounts” substitute “given in notes to the individual balance sheet”.

Notes to the accounts

20.—(1) Regulation 30 (notes to the accounts) is amended as follows.

(2) In section 472 (notes to the accounts)—

(a) omit subsection (1); and

(b) before subsection (2) insert—

“(1A) In the case of an LLP which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B), the notes to the accounts for that year required by regulation 5A(b) of, and paragraph 55 of Part 3 of Schedule 1(c) to, the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1912) must be included at the foot of the balance sheet.”.

Minor definitions

21.—(1) Regulation 32 (minor definitions) is amended as follows.

(2) In section 474(1)(d) (minor definitions)—

(a) insert the following definitions at the appropriate places—

““micro-entity minimum accounting item” means an item of information required by this Part or by the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1912) to be contained in the non-IAS individual accounts of an LLP for a financial year in relation to which it qualifies as a micro-entity (see sections 384A and 384B);”;

““micro-entity provisions” means any provisions of this Part, Part 16 or the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1912) relating specifically to the individual accounts of an LLP which qualifies as a micro-entity;”;

““qualified”, in relation to an auditor’s report, means that the report does not state the auditor’s unqualified opinion that the accounts have been properly prepared in accordance with this Act;”;

““traded company” means a company any of whose transferable securities are admitted to trading on a regulated market;”;

““traded LLP” means an LLP any of whose transferable securities are admitted to trading on a regulated market;”;

(b) in the definition of “turnover”, omit “falling within the LLP’s ordinary activities”.

(a) Section 471(1) as applied to LLPs was amended by S.I. 2012/2301, regulation 20(1) and (10).

(b) Regulation 5A is inserted by regulation 32 of these Regulations.

(c) Paragraph 55 of Part 3 of Schedule 1 is substituted by regulation 41 of these Regulations.

(d) Section 474(1) as applied to LLPs was amended by S.I. 2009/1804, regulation 85 and paragraph 15(3) of Part 2 of Schedule 3; S.I. 2009/1342, article 31; S.I. 2011/99, regulation 79 and paragraph 20 of Part 2 of Schedule 4; S.I. 2012/1439, article 8(1) and (4)); and S.I. 2013/472, article 3 and paragraph 143(b) of Schedule 2.

Exemption from audit: qualifying subsidiaries

22.—(1) Regulation 34A(a) (exemption from audit: qualifying subsidiaries) is amended as follows.

(2) In section 479A(2)(c) (subsidiary LLPs: conditions for exemption from audit), for subparagraph (i) substitute—

“(i) the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings, or”.

(3) In section 479B (LLPs excluded from the subsidiary audit exemption), before paragraph (a) insert—

“(za) a traded LLP as defined in section 474(1),”.

Exemption from audit: dormant LLPs

23.—(1) Regulation 35 (exemption from audit: dormant LLPs) is amended as follows.

(2) In section 481 (LLPs excluded from dormant LLPs exemption), before paragraph (a) insert—

“(za) is a traded LLP as defined in section 474(1),”.

Auditor’s report

24.—(1) Regulation 39 (auditor’s report) is amended as follows.

(2) In section 495 (auditor’s report on LLP’s annual accounts)—

(a) in the last sentence of subsection (3)—

(i) after “this subsection” insert “or subsection (3A)”; and

(ii) for “section 474” substitute “sections 464, 471 and 474”; and

(b) after subsection (3) insert—

“(3A) Subsection (3B) applies to the auditors of an LLP which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B) in their consideration of whether the non-IAS individual accounts of the LLP for that year give a true and fair view as mentioned in subsection (3)(a).

(3B) Where the accounts contain an item of information additional to the micro-entity minimum accounting items, the auditors must have regard to any provision of an accounting standard which relates to that item.”.

Minor definitions

25.—(1) Regulation 55(b) (minor definitions) is amended as follows.

(2) In section 1173(1) (minor definitions: general), after the definition of “regulated market”, insert—

““transferable securities” means anything which is a transferable security for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments(c)”.

Review

26. After regulation 58 (revocation and transitional provisions) insert—

(a) Regulation 34A was inserted by S.I. 2012/2301, regulation 20(1) and (4).

(b) Regulation 55 was amended by S.I. 2009/1804, regulation 85 and paragraph 15 of Part 2 of Schedule 3.

(c) OJ L 145, 30.4.04, p.1, as last amended by Directive 2010/78/EU.

“Review

- 59.**—(1) The Secretary of State must from time to time—
- (a) carry out a review of the provisions of these Regulations to which amendments have been made by Part 2 of the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (“the 2016 Regulations”),
 - (b) set out the conclusions of the review in a report, and
 - (c) publish the report.
- (2) The report must, in particular—
- (a) set out the objectives intended to be achieved by those provisions,
 - (b) assess the extent to which those objectives are achieved,
 - (c) assess whether those objectives remain appropriate, and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (3) The first report under this regulation must be published before the end of the period of 5 years beginning with the date on which the 2016 Regulations come into force.
- (4) Subsequent reports under this regulation must be published at intervals not exceeding 5 years.
- (5) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015(a).”.

PART 3

Amendments to the Small Limited Liability Partnerships (Accounts) Regulations 2008

Amendments to the Small Limited Liability Partnerships (Accounts) Regulations 2008

27. The Small Limited Liability Partnerships (Accounts) Regulations 2008(b) are amended in accordance with this Part.

Amendments to Part 1 (introduction)

- 28.** In regulation 1(2) (interpretation), for the definition of “LLP” substitute—
- ““LLP” means a limited liability partnership registered under the Limited Liability Partnerships Act 2000(c);”.

Amendments to Part 2 (form and content of individual accounts)

29. In regulation 3(1) (non-IAS individual accounts), in the modified regulation 3 of the Small Companies Accounts Regulations which is applied to LLPs—

- (a) at the beginning of paragraph (1) insert “Subject to the following provisions of this regulation and regulation 5A,”;
- (b) after paragraph (1) insert—

“(1A) Sections C (alternative accounting rules) and D (fair value accounting) in Part 2 of Schedule 1 to these Regulations do not apply to an LLP which qualifies as a micro-entity in

(a) 2015 c.26.
(b) S.I. 2008/1912.
(c) 2000 c.12.

relation to a financial year (see sections 384A and 384B of the 2006 Act) and whose accounts for that year are prepared in accordance with the exemption permitted by—

- (a) regulation 5A, or
- (b) paragraph 1(1A) of Section A in Part 1 of Schedule 1 to these Regulations.”; and
- (c) omit paragraph (2).

30. Omit regulation 4 (information about related undertakings (non-IAS or IAS individual accounts)).

31. Omit regulation 5 (accounts for delivery to registrar of companies (non-IAS individual accounts)).

32. At the end of Part 2 insert—

“Non-IAS individual accounts: micro-entities – notes to the accounts

5A. Regulation 5A of the Small Companies Accounts Regulations applies to LLPs, modified so that it reads as follows—

“Non-IAS individual accounts: micro-entities – notes to the accounts

5A. Nothing in Schedule 1 to these Regulations requires the non-IAS individual accounts of an LLP for a financial year in which the LLP qualifies as a micro-entity (see sections 384A and 384B of the 2006 Act) to contain any information by way of notes to the accounts, except that the LLP is required to disclose by way of notes to the accounts the information required by paragraph 55 in Part 3 of Schedule 1.””.

Amendments to Part 3 (form and content of group accounts)

33. In regulation 6 (non-IAS group accounts), in the modified form of regulation 8 of the Small Companies Accounts Regulations which is applied to LLPs, omit both occurrences of “Part 1 of”.

Amendments to Section A of Part 1 of Schedule 1 (general rules and formats for balance sheets and profit and loss accounts: non-IAS individual accounts)

34. In Section A of Part 1 of Schedule 1 (general rules and formats for balance sheets and profit and loss accounts: non-IAS individual accounts)—

- (a) in paragraph 1 (general requirements for format of balance sheets and profit and loss accounts)—

- (i) after sub-paragraph (1) insert—

“(1A) But, subject to the following provisions of this Schedule, in relation to an LLP which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B of the 2006 Act)—

- (a) the only items which must be shown on the LLP’s balance sheet for that year are those listed in either of the balance sheet formats in Section C of this Part, and
 - (b) the only items which must be shown on the LLP’s profit and loss account for that year are those listed in the profit and loss account format in Section C.”;

- (ii) in sub-paragraph (2), after “Section B” insert “and Section C”;

- (iii) at the beginning of sub-paragraph (3) insert “Subject to paragraph 1A, ”;

- (b) after paragraph 1 insert—

“1A.—(1) Where appropriate to the circumstances of an LLP’s business, the members of the LLP may, with reference to one of the formats in Section B, draw up an abridged balance sheet showing only those items in that format preceded by letters and roman numerals, provided that—

- (a) in the case of format 1, note (3) of the notes to the formats is complied with,
- (b) in the case of format 2, notes (3) and (8) of those notes are complied with,
- (c) all of the members of the LLP have consented to the drawing up of the abridged balance sheet.

(2) Where appropriate to the circumstances of an LLP's business, the members of the LLP may, with reference to one of the formats in Section B, draw up an abridged profit and loss account, combining under one item called "Gross profit or loss"—

- (a) items 1, 2, 3 and 6 in the case of format 1, and
- (b) items 1 to 5 in the case of format 2,

provided that, in either case, all of the members of the LLP have consented to the drawing up of the abridged profit and loss account.

(3) Such consent as is referred to in sub-paragraphs (1) and (2) may only be given as regards the preparation of, as appropriate, the balance sheet or profit and loss account in respect of the preceding financial year.

1B.—(1) The members of the LLP may adapt one of the balance sheet formats in Section B so to distinguish between current and non-current items in a different way, provided that—

- (a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted, and
- (b) the presentation of those items is in accordance with generally accepted accounting principles or practice.

(2) The members of the LLP may, otherwise than pursuant to paragraph 1A(2), adapt one of the profit and loss account formats in Section B, provided that—

- (a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted, and
- (b) the presentation is in accordance with generally accepted accounting principles or practice.

1C. So far as is practicable, the following provisions of this Section apply to the balance sheet or profit and loss account of an LLP notwithstanding any such abridgment or adaptation pursuant to paragraph 1A or 1B.”;

- (c) in paragraph 2 (general requirement for continuous use of formats for balance sheets and profit and loss accounts), for “paragraph 1” substitute “paragraph 1(1)”;
- (d) after paragraph 2 insert—

“(2A) Where in accordance with paragraph 1(1A) an LLP's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats in Section C, the members of the LLP must use the same format in preparing non-IAS individual accounts for subsequent financial years, unless in their opinion there are special reasons for a change.”;

- (e) in paragraph 6 (profit and loss account must show amount of profit and loss before taxation)—
 - (i) after “profit and loss account” insert “other than one prepared by reference to the format in Section C”; and
 - (ii) omit “on ordinary activities”; and
- (f) after paragraph 9 (requirement to have regard to the substance of a reported transaction or arrangement) insert—

“**9A.** Where an asset or liability relates to more than one item in the balance sheet, the relationship of such asset or liability to the relevant items must be disclosed either under those items or in the notes to the accounts.”.

Amendments to Section B of Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts of small LLPs other than micro-entities)

35. In Section B of Part 1 of Schedule 1 (required formats for balance sheets: non-IAS individual accounts)—

- (a) for the heading “*THE REQUIRED FORMATS FOR ACCOUNTS*”, substitute “*THE REQUIRED FORMATS FOR THE ACCOUNTS OF LLPs OTHER THAN MICRO-ENTITIES*”;
- (b) in balance sheet Format 2, for the heading “LIABILITIES”, substitute “CAPITAL, RESERVES AND LIABILITIES”;
- (c) in notes on the balance sheet formats—
 - (i) in note (3), for “unless the aggregate amount of debtors falling due after more than one year is disclosed in the notes to the accounts”, substitute “and, in the case of format 2, the aggregate amount falling due after more than one year must also be shown”; and
 - (ii) in note (8), omit from “unless the aggregate amount” to the end;
- (d) in profit and loss account Format 1—
 - (i) in item 12, for “charges” substitute “expenses”;
 - (ii) in items 13 and 14, omit “on ordinary activities”; and
 - (iii) omit items 15 to 18;
- (e) in profit and loss account Format 2—
 - (i) for item 7(b) substitute—

“(b) Amounts written off current assets, to the extent that they exceed write-offs which are normal in the undertaking concerned”;
 - (ii) in items 8 and 14, for “charges” substitute “expenses”;
 - (iii) in items 15 and 16, omit “on ordinary activities”; and
 - (iv) omit items 17 to 20; and
- (f) in notes on the profit and loss account formats—
 - (i) in the title to note (11), for “charges” substitute “expenses”; and
 - (ii) omit note (12).

Insertion of Section C into Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts of LLPs which are micro-entities)

36. After Section B of Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts of LLPs which are micro-entities) insert—

“SECTION C

THE REQUIRED FORMATS FOR THE ACCOUNTS OF MICRO-ENTITIES

Balance Sheet Formats

Format 1

- A Fixed assets
- B Current assets
- C Prepayments and accrued income
- D Creditors: amounts falling due within one year

- E Net current assets (liabilities)
- F Total assets less current liabilities
- G Creditors: amounts falling due after more than one year
- H Provisions for liabilities
- I Accruals and deferred income
- J Loans and other debts due to members
- K Members' other interests

Format 2

ASSETS

- A Fixed assets
- B Current Assets
- C Prepayments and accrued income

CAPITAL, RESERVES AND LIABILITIES

- A Loans and other debts due to members
- B Members' other interests
- C Provisions for liabilities
- D Creditors (1)
- E Accruals and deferred income

Notes on the balance sheet formats

(1) Creditors

(Format 2, item D under Capital, Reserves and Liabilities)

Aggregate amounts falling due within one year and after one year must be shown separately.

Profit and loss account format

- A Turnover
- B Other income
- C Cost of raw materials and consumables
- D Staff costs
- E Depreciation and other amounts written off assets
- F Other charges
- G Tax
- H Profit or loss for the financial year before members' remuneration and profit shares".

Amendments to Section A of Part 2 of Schedule 1 (accounting principles: non-IAS individual accounts)

37. In Section A of Part 2 of Schedule 1 (accounting principles: non-IAS individual accounts)—

- (a) in paragraph 12 (consistent application of accounting policies), after “Accounting policies” insert “and measurement bases”;
- (b) in paragraph 13 (determination of amount of an item on a prudent basis)—
 - (i) omit “and” at the end of sub-paragraph (a); and
 - (ii) after sub-paragraph (b) insert—
 - “(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss,
 - (d) at the balance sheet date, a provision must represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability, and
 - (e) provisions must not be used to adjust the values of assets.”; and
- (c) after paragraph 15 (individual assets or liabilities must be determined separately in determining aggregate amount) insert—

“**15A.** The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year.”.

Amendments to Section B of Part 2 of Schedule 1 (historical cost accounting rules: non-IAS individual accounts)

38. In Section B of Part 2 of Schedule 1 (historical cost accounting rules: non-IAS individual accounts)—

- (a) in paragraph 19 (provision for diminution in value of a fixed asset)—
 - (i) in sub-paragraph (1), after “set out in” insert “Section B of”; and
 - (ii) for sub-paragraph (3) substitute—
 - “(3) Provisions made under sub-paragraph (1) or (2) must be charged to the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.”;
- (b) in paragraph 20 (cessation of reasons for inclusion of provision about diminution in value)—
 - (i) after sub-paragraph (1) insert—
 - “(1A) But provision made in accordance with paragraph 19(2) in respect of goodwill must not be written back to any extent.”; and
 - (ii) for sub-paragraph (2) substitute—
 - “(2) Any amounts written back under sub-paragraph (1) must be recognised in the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.”;
- (c) for paragraphs 21 (development costs) and 22 (goodwill) substitute—

“Intangible Assets

21.—(1) Where this is in accordance with generally accepted accounting principles or practice, development costs may be included in “other intangible assets” under “fixed assets” in the balance sheet formats set out in Section B of Part 1 of this Schedule.

(2) If any amount is included in an LLP’s balance sheet in respect of development costs, the note on accounting policies (see paragraph 44 of this Schedule) must include the following information—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and
- (b) the reasons for capitalising the development costs in question.

22.—(1) Intangible assets must be written off over the useful economic life of the intangible asset.

(2) Where in exceptional cases the useful life of intangible assets cannot be reliably estimated, such assets must be written off over a period chosen by the members of the LLP.

(3) The period referred to in sub-paragraph (2) must not exceed ten years.

(4) There must be disclosed in a note to the accounts the period referred to in sub-paragraph (2) and the reasons for choosing that period.”;

(d) for paragraph 26(1) (assets included at a fixed amount) substitute—

“(1) Subject to sub-paragraph (2), the following may be included at a fixed quantity and value in the balance sheet formats set out in Section B of Part 1 of this Schedule—

- (a) assets which fall to be included amongst the fixed assets of an LLP under the item “intangible assets”, and
- (b) raw materials and consumables within the item “stocks”.”;

(e) at the end of paragraph 27(1) (determination of purchase price of an asset) insert “and then subtracting any incidental reductions in the cost of acquisition”;

(f) in paragraph 28 (determination of purchase price or production cost of stocks and fungible assets)—

- (i) in sub-paragraph (1)(a), after “assets which” insert “, by virtue of regulation 3(1) and Section B of Part 1 of this Schedule,”; and
- (ii) in sub-paragraph (2)(d), for “similar to any of the methods mentioned above” substitute “reflecting generally accepted best practice”; and

(g) after paragraph 29 (substitution of original stated amount where price or cost unknown) insert—

“Equity method in respect of participating interests

29A. Participating interests may be accounted for using the equity method.”.

Amendments to Section C of Part 2 of Schedule 1 (alternative accounting rules: non-IAS individual accounts)

39. In Section C of Part 2 of Schedule 1 (alternative accounting rules: non-IAS individual accounts)—

- (a) in paragraph 32 (alternative accounting rules), omit sub-paragraphs (4) and (5);
- (b) in paragraph 34 (additional information to be provided in case of departure from historical cost accounting rules)—
 - (i) in sub-paragraph (2), for “a note to the accounts” substitute “the note on accounting policies (see paragraph 44 of this Schedule)”;
 - (ii) for sub-paragraph (3) substitute—

“(3) In the case of each balance sheet item affected, the comparable amounts determined according to the historical cost accounting rules must be shown in a note to the accounts.”; and

(c) in paragraph 35(2) (revaluation reserve)—

- (i) after “revaluation reserve” insert “under “Members’ other interests””; and
- (ii) omit “, but need not be shown under that name”.

Amendments to Section D of Part 2 of Schedule 1 (fair value accounting: non-IAS individual accounts)

40. In Section D of Part 2 of Schedule 1 (fair value accounting: non-IAS individual accounts)—

(a) for paragraph 36(4) (inclusion of financial instruments at fair value) substitute—

“(4) Financial instruments which under international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.”;

(b) for paragraph 39 (other assets that may be included at fair value) substitute—

“Other assets that may be included at fair value

39.—(1) This paragraph applies to—

- (a) stocks,
- (b) investment property, and
- (c) living animals and plants.

(2) Stocks, investment property, and living animals and plants may be included at fair value, provided that, as the case may be, all such stocks, investment property, and living animals and plants are so included where their fair value can reliably be determined.

(3) In this paragraph “fair value” means fair value determined in accordance with generally accepted accounting principles or practice.”; and

(c) in paragraph 41 (the fair value reserve), omit sub-paragraph (2).

Amendments to Part 3 of Schedule 1 (notes to the accounts: non-IAS individual accounts)

41. In Part 3 of Schedule 1 (notes to the accounts: non-IAS individual accounts)—

(a) for paragraph 42 (preliminary) substitute—

“Preliminary

42.—(1) Any information required in the case of an LLP by the following provisions of this Part of this Schedule must be given by way of a note to the accounts.

(2) These notes must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account.”;

(b) omit paragraph 43 (reserves);

(c) in paragraph 45 (which specifies paragraphs requiring information supplementing the balance sheet) for “46 to 56” substitute “47 to 55”;

(d) omit paragraph 46 (loans and other debts due to members);

(e) omit paragraph 49 (investments);

(f) for paragraph 50 (information about fair value of assets and liabilities) substitute—

“Information about fair value of assets and liabilities

50.—(1) This paragraph applies where financial instruments or other assets have been valued in accordance with, as appropriate, paragraph 36, 38 or 39.

(2) There must be stated—

(a) the significant assumptions underlying the valuation models and techniques used to determine the fair values,

(b) for each category of financial instrument or other asset, the fair value of the assets in that category and the changes in value—

(i) included directly in the profit and loss account, or

- (ii) credited to or (as the case may be) debited from the fair value reserve, in respect of those assets, and
- (c) for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
- (3) Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form—
 - (a) the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively, and
 - (b) the amount transferred to or from the reserve during that year.”;
- (g) omit paragraphs 51 (financial fixed assets that could be included at fair value but included in excess of fair value) and 52 (information where investment property and living animals and plants included at fair value);
- (h) for paragraph 53 (reserves and provisions) substitute—

“Information about revalued fixed assets

- 53.**—(1) This paragraph applies where fixed assets are measured at revalued amounts.
- (2) Where this paragraph applies, the following information must be given in tabular form—
- (a) movements in the revaluation reserve in the financial year, with an explanation of the tax treatment of items therein, and
 - (b) the carrying amount in the balance sheet that would have been recognised had the fixed assets not been revalued.”;
- (i) at the end of paragraph 54(2) (details of indebtedness) insert “with an indication of the nature and form of any such security”;
 - (j) for paragraph 55 (guarantees and other financial commitments) substitute—

“Guarantees and other financial commitments

- 55.**—(1) The total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet must be stated.
- (2) An indication of the nature and form of any valuable security given by the LLP in respect of commitments, guarantees and contingencies within sub-paragraph (1) must be given.
- (3) The total amount of any commitments within sub-paragraph (1) concerning pensions must be separately disclosed.
- (4) The total amount of any commitments within sub-paragraph (1) which are undertaken on behalf of or for the benefit of—
- (a) any parent undertaking, fellow subsidiary undertaking or any subsidiary undertaking of the LLP, or
 - (b) any undertaking in which the LLP has a participating interest,
- must be separately stated and those within paragraph (a) must also be stated separately from those within paragraph (b).”;
- (k) omit paragraphs 56 (miscellaneous matters – particulars where substitution of original stated amount because price or cost of asset unknown) to 58 (particulars of turnover);
 - (l) for paragraph 59(2) and (3) (miscellaneous matters – inclusion of amounts relating to any preceding financial year in the profit and loss account) substitute—

“(2) The amount and nature of any individual items of income or expenditure of exceptional size or incidence must be stated.”;

- (m) omit paragraphs 60 (sums denominated in foreign currencies) and 61 (dormant LLPs acting as agents); and
- (n) after paragraph 59 (miscellaneous matters – amount relating to preceding financial year) insert—

“Post balance sheet events

62. The nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet must be stated.

Parent undertaking information

63. Where the LLP is a subsidiary undertaking, the following information must be given in respect of the parent undertaking of the smallest group of undertakings for which group accounts are drawn up of which the LLP is a member—

- (a) the name of the parent undertaking which draws up the group accounts,
- (b) the address of the undertaking’s registered office (whether in or outside the United Kingdom), or
- (c) if it is incorporated, the address of its principal place of business.

Related party transactions

64.—(1) Particulars may be given of transactions which the LLP has entered into with related parties, and must be given if such transactions are material and have not been concluded under normal market conditions with—

- (a) members of the LLP that are related parties; and
- (b) undertakings in which the LLP itself has a participating interest.

(2) Particulars of the transactions required to be disclosed under sub-paragraph (1) must include—

- (a) the amount of such transactions,
- (b) the nature of the related party relationship, and
- (c) other information about the transactions necessary for an understanding of the financial position of the LLP.

(3) Information about individual transactions may be aggregated according to their nature, except where separate information is necessary for an understanding of the effects of the related party transactions on the financial position of the LLP.

(4) Particulars need not be given of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly-owned by such a member.

(5) In this paragraph “related party” has the same meaning as in international accounting standards.”.

Omission of Schedule 2 (information about related undertakings where LLP not preparing group accounts) and Schedule 3 (non-IAS abbreviated accounts for delivery to Registrar of Companies)

42. Omit—

- (a) Schedule 2 (information about related undertakings where LLP not preparing group accounts); and
- (b) Schedule 3 (non-IAS abbreviated accounts for delivery to Registrar of Companies).

Amendments to Part 1 of Schedule 4 (form and content of non-IAS group accounts)

43. In Part 1 of Schedule 4 (form and content of non-IAS group accounts)—

- (a) in paragraph 1 (general rules)—
 - (i) in sub-paragraph (1), for “sub-paragraphs (1) and (2)” substitute “the following provisions of this Schedule”;
 - (ii) after sub-paragraph (1) insert—

“(1A) Paragraph 1A of Schedule 1 to these Regulations does not apply to group accounts.”;
 - (iii) in sub-paragraph (2), after “out in” insert “Section B of Part 1 of”; and
 - (iv) in sub-paragraph (3), after “account formats” insert “in Section B of Part 1 of that Schedule”;
- (b) after paragraph 2(1) (concerning the consolidated balance sheet and profit and loss account) insert—

“(1A) Group accounts must be drawn up as at the same date as the accounts of the parent LLP.”;
- (c) after paragraph 9(5) (concerning the acquisition method of accounting) insert—

“(6) Negative goodwill may be transferred to the consolidated profit and loss account where such a treatment is in accordance with the principles and rules of Part 2 of Schedule 1 to these Regulations.”;
- (d) after paragraph 16 (certain information need not be disclosed if an undertaking is established under the law of a country, or carries on business, outside the UK) insert—

“**16A.** Where an acquisition has taken place in the financial year and the merger method of accounting has been adopted, the notes to the accounts must also disclose the names and the addresses of the registered offices of the undertakings concerned (whether in or outside the United Kingdom).”;
- (e) for paragraph 17 (minority interests) substitute—

“Non-controlling interests

17.—(1) The formats set out in Section B of Part 1 of Schedule 1 to these Regulations have effect in relation to group accounts with the following additions.

(2) In the Balance Sheet Formats there must be shown, as a separate item and under the heading “non-controlling interests”, the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent LLP and its subsidiary undertakings.

(3) In the Profit and Loss Account Formats there must be shown, as a separate item and under the heading “non-controlling interests”, the amount of any profit or loss attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent LLP and its subsidiary undertakings.

(4) For the purposes of paragraph 4 of Schedule 1 (power to adapt or combine items)—

- (a) the additional item required by sub-paragraph (2) above is treated as one to which a letter is assigned, and
 - (b) the additional item required by sub-paragraph (3) above is treated as one to which an Arabic number is assigned.”;
- (f) in paragraph 18 (joint ventures)—
 - (i) in sub-paragraph (2), after “consolidated accounts” insert “and sections 402 and 405 of the 2006 Act”; and
 - (ii) after sub-paragraph (2) insert—

“(3) In addition to the disclosure of the average number of employees employed during the financial year (see section 411(7) of the 2006 Act), there must be a separate disclosure in the notes to the accounts of the average number of employees employed by undertakings that are proportionately consolidated.”; and

- (g) after paragraph 20 (use of equity method of accounting for associated undertakings) insert—

“Deferred tax balances

20A. Deferred tax balances must be recognised on consolidation where it is probable that a charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation.

Related party transactions

20B. Paragraph 64 of Schedule 1 to these Regulations applies to transactions which the parent LLP, or other undertakings included in the consolidation, have entered into with related parties, unless they are intra-group transactions.”.

Amendments to Part 2 of Schedule 4 (information about related undertakings where LLP preparing non-IAS or IAS group accounts)

44. In Part 2 of Schedule 4 (information about related undertakings where LLP preparing non-IAS or IAS group accounts)—

- (a) for paragraph 22(3)(a) (subsidiary undertakings) substitute—
“(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
- (b) in paragraph 25 (joint ventures)—
(i) for sub-paragraph (1)(b) substitute—
“(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”; and
(ii) in sub-paragraph (1)(d), after “held by” insert “or on behalf of”;
- (c) for paragraph 26(3)(a) (associated undertakings) substitute—
“(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
- (d) for paragraph 28(2)(a) (information required about other significant holdings of parent LLP or group) substitute—
“(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”; and
- (e) for paragraph 31(2)(a) (information required where group has a significant holding in an undertaking which is not a subsidiary, and it is not a joint venture or an associated undertaking) substitute—
“(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”.

Amendments to Schedule 5 (general interpretation)

45. In Schedule 5 (general interpretation)—

- (a) for paragraph 2(1) (definitions of financial instruments) substitute—

“(1) The expressions listed in sub-paragraph (2) have the same meaning as they have in Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings^(a).”;

- (b) in paragraph 8(5) (participating interests)—
 - (i) before “Part 1 of Schedule 1” insert “Section B of”; and
 - (ii) omit “and Part 1 of Schedule 3”; and
- (c) in paragraph 12(3) (staff costs), for “the LLP’s profit and loss account” substitute “the profit and loss account Format 2 in Section B of Part 1 of Schedule 1”.

Review

46. After regulation 8 (general interpretation) insert—

“PART 5 REVIEW

Review

- 9.**—(1) The Secretary of State must from time to time—
- (a) carry out a review of the provisions of these Regulations to which amendments have been made by Part 3 of the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (“the 2016 Regulations”),
 - (b) set out the conclusions of the review in a report, and
 - (c) publish the report.
- (2) The report must, in particular—
- (a) set out the objectives intended to be achieved by those provisions,
 - (b) assess the extent to which those objectives are achieved,
 - (c) assess whether those objectives remain appropriate, and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (3) The first report under this regulation must be published before the end of the period of 5 years beginning with the date on which the 2016 Regulations come into force.
- (4) Subsequent reports under this regulation must be published at intervals not exceeding 5 years.
- (5) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015^(b).”.

(a) OJ No L 182, 29.06.13, p. 19, as last amended by Council Directive 2014/102/EU.

(b) 2015 c.26.

PART 4

Amendments to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008

Amendments to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008

47. The Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008(a) are amended in accordance with this Part.

Amendment to Part 1 (introduction)

48. In regulation 1(2) (interpretation), for the definition of “LLP” substitute—

““LLP” means a limited liability partnership registered under the Limited Liability Partnerships Act 2000(b).”

Amendments to Part 2 (form and content of accounts)

49. In regulation 4 (medium-sized LLPs: exemptions for non-IAS individual accounts), in the modified regulation 4 of the Large and Medium-sized Companies Accounts Regulations which is applied to LLPs—

(a) for paragraph (2) substitute—

“(2A) The individual accounts for the year need not comply with paragraph 45 (disclosure with respect to compliance with accounting standards) of Schedule 1 to these Regulations.

(2B) Paragraph 70 (related party transactions) applies with the modification that only particulars of transactions which have not been concluded under normal market conditions with the following must be disclosed—

- (a) members of the LLP that are related parties; and
- (b) undertakings in which the LLP itself has a participating interest.”; and

(b) omit paragraph (3).

Amendments to Section A of Part 1 of Schedule 1 (general rules: non-IAS individual accounts)

50. In Section A of Part 1 of Schedule 1 (general rules: non-IAS individual accounts)—

(a) at the beginning of paragraph 1(3) (general requirements for format of balance sheets and profit and loss accounts) insert “Subject to paragraph 1A,”;

(b) after paragraph 1 insert—

“1A.—(1) The members of the LLP may adapt one of the balance sheet formats in Section B so as to distinguish between current and non-current items in a different way, provided that—

- (a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted, and
- (b) the presentation of those items is in accordance with generally accepted accounting principles or practice.

(a) S.I. 2008/1913.

(b) 2000 c.12.

(2) The members of the LLP may adapt one of the profit and loss account formats in Section B, provided that—

- (a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted, and
- (b) the presentation is in accordance with generally accepted accounting principles or practice.

(3) So far as is practicable, the following provisions of this Section apply to the balance sheet or profit or loss account of an LLP notwithstanding any such adaptation pursuant to this paragraph.”;

- (c) in paragraph 6 (profit and loss account must show the amount of profit or loss before taxation), omit “on ordinary activities”; and
- (d) after paragraph 9 (requirement to have regard to the substance of a reported transaction or arrangement) insert—

“9A. Where an asset or liability relates to more than one item in the balance sheet, the relationship of such asset or liability to the relevant items must be disclosed either under those items or in the notes to the accounts.”.

Amendments to Section B of Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts)

51. In Section B of Part 1 of Schedule 1 (required formats for accounts: non-IAS individual accounts)—

- (a) in balance sheet Format 1, in item K III, after “Other reserves” insert “, including the fair value reserve”;
- (b) in balance sheet Format 2—
 - (i) for the heading “LIABILITIES” substitute “CAPITAL, RESERVES AND LIABILITIES”; and
 - (ii) in item B III, after “Other reserves” insert “, including the fair value reserve”;
- (c) in profit and loss account Format 1—
 - (i) in item 12, for “charges” substitute “expenses”;
 - (ii) in items 13 and 14, omit “on ordinary activities”; and
 - (iii) omit items 15 to 18;
- (d) in profit and loss account Format 2—
 - (i) in items 5(b), 8 and 14, for “charges” substitute “expenses”;
 - (ii) for item 7(b) substitute—
 - “(b) Amounts written off current assets, to the extent that they exceed write-offs which are normal in the undertaking concerned”;
 - (iii) in items 15 and 16, omit “on ordinary activities”; and
 - (iv) omit items 17 to 20; and
- (e) in notes on the profit and loss account formats, in the title to note (14), for “charges” substitute “expenses”.

Amendments to Section A of Part 2 of Schedule 1 (accounting principles: non-IAS individual accounts)

52. In Section A of Part 2 of Schedule 1 (accounting principles: individual accounts)—

- (a) in paragraph 12 (consistent application of accounting policies), after “Accounting policies” insert “and measurement bases”;
- (b) in paragraph 13 (determination of amount of an item on a prudent basis)—

- (i) omit “and” at the end of sub-paragraph (a); and
- (ii) after sub-paragraph (b) insert—
 - “(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss,
 - (d) at the balance sheet date, a provision must represent the best estimate of the expenses likely to be incurred or, in the case of a liability, of the amount required to meet that liability, and
 - (e) provisions must not be used to adjust the value of assets.”; and
- (c) after paragraph 15 (individual assets or liabilities must be determined separately in determining aggregate amount) insert—

“**15A.** The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year.”.

Amendments to Section B of Part 2 of Schedule 1 (historical cost accounting rules: non-IAS individual accounts)

53. In Section B of Part 2 of Schedule 1 (historical cost accounting rules: non-IAS individual accounts)—

- (a) for paragraph 19(3) (provision for diminution in value of a fixed asset) substitute—

“(3) Provisions made under sub-paragraph (1) or (2) must be charged to the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.”;
- (b) in paragraph 20 (cessation of reasons for inclusion of provision about diminution in value)—
 - (i) after sub-paragraph (1) insert—

“(1A) But provision made in accordance with paragraph 19(2) in respect of goodwill must not be written back to any extent.”; and
 - (ii) for sub-paragraph (2) substitute—

“(2) Any amounts written back under sub-paragraph (1) must be recognised in the profit and loss account and disclosed separately in a note to the accounts if not shown separately in the profit and loss account.”;
- (c) for paragraphs 21 (development costs) and 22 (goodwill) substitute—

“Intangible Assets

21.—(1) Where this is in accordance with generally accepted accounting principles or practice, development costs may be included in “other intangible assets” under “fixed assets” in the balance sheet formats set out in Section B of Part 1 of this Schedule.

(2) If any amount is included in an LLP’s balance sheet in respect of development costs, the note on accounting policies (see paragraph 44 of this Schedule) must include the following information—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and
- (b) the reasons for capitalising the development costs in question.

22.—(1) Intangible assets must be written off over the useful economic life of the intangible asset.

(2) Where in exceptional cases the useful life of intangible assets cannot be reliably estimated, such assets must be written off over a period chosen by the members of the LLP.

(3) The period referred to in sub-paragraph (2) must not exceed ten years.

- (4) There must be disclosed in a note to the accounts the period referred to in sub-paragraph (2) and the reasons for choosing that period.”;
- (d) at the end of paragraph 27(1) (determination of purchase price or production cost) insert “and then subtracting any incidental reductions in the cost of acquisition”;
- (e) in paragraph 28(2)(d) (methods for determination of purchase price or production cost of stocks and fungible assets), for “similar to any of the methods mentioned above” substitute “reflecting generally accepted best practice”; and
- (f) after paragraph 29 (substitution of original stated amount where price or cost unknown) insert—

“Equity method in respect of participating interests

29A. Participating interests may be accounted for using the equity method.”

Amendments to Section C of Part 2 of Schedule 1 (alternative accounting rules: non-IAS individual accounts)

54. In Section C of Part 2 of Schedule 1 (alternative accounting rules: non-IAS individual accounts)—

- (a) in paragraph 32 (alternative accounting rules), omit sub-paragraphs (4) and (5);
- (b) in paragraph 34 (additional information to be provided in case of departure from historical cost accounting rule)—
 - (i) in sub-paragraph (2), for “a note to the accounts” substitute “the note on accounting policies (see paragraph 44 of this Schedule)”;
 - (ii) for sub-paragraph (3) substitute—

“(3) In the case of each balance sheet item affected, the comparable amounts determined according to the historical cost accounting rules must be shown in a note to the accounts.”;

 and
- (c) in paragraph 35(2) (revaluation reserve)—
 - (i) after “revaluation reserve” insert “under “Members’ other interests””; and
 - (ii) omit “, but need not be shown under that name”.

Amendments to Section D of Part 2 of Schedule 1 (fair value accounting: non-IAS individual accounts)

55. In Section D of Part 2 of Schedule 1 (fair value accounting: non-IAS individual accounts)—

- (a) for paragraph 36(4) (inclusion of financial instruments at fair value) substitute—

“(4) Financial instruments which under international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.”;

 and
- (b) for paragraph 39 (other assets that may be included at fair value) substitute—

“Other assets that may be included at fair value

39.—(1) This paragraph applies to—

- (a) stocks,
- (b) investment property, and
- (c) living animals and plants.

(2) Stocks, investment property, and living animals and plants may be included at fair value, provided that, as the case may be, all such stocks, investment property, and living animals and plants are so included where their fair value can reliably be determined.

(3) In this paragraph, “fair value” means fair value determined in accordance with generally accepted accounting principles or practice.”.

Amendments to Part 3 of Schedule 1 (notes to the accounts: non-IAS individual accounts)

56. In Part 3 of Schedule 1 (notes to the accounts: non-IAS individual accounts)—

(a) for paragraph 42 (preliminary) substitute—

“Preliminary

42.—(1) Any information required in the case of an LLP by the following provisions of this Part of this Schedule must be given by way of a note to the accounts.

(2) These notes must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account.”;

(b) for paragraph 53 (information about fair value of assets and liabilities) substitute—

“Information about fair value of assets and liabilities

53.—(1) This paragraph applies where financial instruments or other assets have been valued in accordance with, as appropriate, paragraph 36, 38, or 39.

(2) There must be stated—

(a) the significant assumptions underlying the valuation models and techniques used to determine the fair value of the instruments or other assets,

(b) for each category of financial instrument or other asset, the fair value of the assets in that category and the changes in value—

(i) included directly in the profit and loss account, or

(ii) credited to or (as the case may be) debited from the fair value reserve, in respect of those assets, and

(c) for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

(3) Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form—

(a) the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively,

(b) the amount transferred to or from the reserve during the year, and

(c) the source and application respectively of the amounts so transferred.”;

(c) in paragraph 56(1) (information where investment property and living animals and plants included at fair value), after “in respect of” insert “stocks,”;

(d) in paragraph 57(2) (reserves and provisions), after “same item” insert “in tabular form”;

(e) in paragraph 59(4)(b) (details of indebtedness), after “nature” insert “and form”;

(f) for paragraph 60 (guarantees and other financial commitments) substitute—

“Guarantees and other financial commitments

60.—(1) Particulars must be given of any charge on the assets of the LLP to secure the liabilities of any other person including the amount secured.

(2) Particulars and the total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet must be disclosed.

(3) An indication of the nature and form of any valuable security given by the LLP in respect of commitments, guarantees and contingencies within sub-paragraph (2) must be given.

(4) The total amount of any commitments within sub-paragraph (2) concerning pensions must be separately disclosed.

(5) Particulars must be given of pension commitments which are included in the balance sheet.

(6) Where any commitment within sub-paragraph (4) or (5) relates wholly or partly to pensions payable to past members of the LLP separate particulars must be given of that commitment.

(7) The total amount of any commitments, guarantees and contingencies within sub-paragraph (2) which are undertaken on behalf of or for the benefit of—

(a) any parent undertaking or fellow subsidiary undertaking of the LLP,

(b) any subsidiary undertaking of the LLP, or

(c) any undertaking in which the LLP has a participating interest,

must be separately stated and those within each of paragraphs (a), (b) and (c) must also be stated separately from those within any other of those paragraphs.”;

(g) for the closing words in paragraph 64(2) (particulars of tax) substitute—

“These amounts must be stated separately in respect of each of the amounts which is or would but for paragraph 4(2)(b) be shown under the item “tax on profit or loss” in the profit and loss account.”;

(h) for paragraph 67(2) and (3) (miscellaneous matters) substitute—

“(2) The amount, nature and effect of any individual items of income or expenditure which are of exceptional size or incidence must be stated.”;

(i) in paragraph 70(1) (related party transactions), for “regulation 4 for exemption” substitute “regulation 4(2B) for a modification”; and

(j) after paragraph 70 insert—

“Post balance sheet events

70A. The nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet must be stated.

Appropriations

70B. Particulars must be given of the proposed appropriation of profit or treatment of loss or, where applicable, particulars of the actual appropriation of the profits or treatment of the losses.”.

Amendment to Part 4 of Schedule 1 (special provision where LLP is a parent LLP or subsidiary undertaking; non-IAS individual accounts)

57. In Part 4 of Schedule 1 (special provision where LLP is a parent LLP or subsidiary undertaking; non-IAS individual accounts), omit paragraph 71 (LLP’s own accounts: guarantees and other financial commitments in favour of group undertakings).

Amendments to Part 1 of Schedule 2 (provisions applying to all LLPs: information on related undertakings required whether preparing non-IAS or IAS accounts)

58. In Part 1 of Schedule 2 (provisions applying to all LLPs: information on related undertakings required whether preparing non-IAS or IAS accounts)—

(a) for paragraph 1(3)(a) (subsidiary undertakings) substitute—

- “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
- (b) for paragraph 4(2)(a) (significant holdings in undertakings other than subsidiary undertakings) substitute—
 - “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
- (c) for paragraph 6(3)(a) (parent undertaking drawing up accounts for larger group) substitute—
 - “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”.

Amendments to Part 3 of Schedule 2 (LLP required to prepare group accounts: information on related undertakings required whether preparing non-IAS or IAS accounts)

59. In Part 3 of Schedule 2 (LLP required to prepare group accounts: information on related undertakings required whether preparing non-IAS or IAS accounts)—

- (a) for paragraph 16(1)(b) (joint ventures) substitute—
 - “(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”;
- (b) for paragraph 17(3)(b) (associated undertakings) substitute—
 - “(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom).”.

Amendments to Schedule 3 (non-IAS group accounts)

60. In Schedule 3 (non-IAS group accounts)—

- (a) after paragraph 2(1) (concerning the consolidated balance sheet and profit and loss account) insert—
 - “(1A) Group accounts must be drawn up as at the same date as the accounts of the parent LLP.”;
- (b) after paragraph 9(5) (concerning the acquisition method of accounting) insert—
 - “(6) Negative goodwill may be transferred to the consolidated profit and loss account where such a treatment is in accordance with the principles and rules of Part 2 of Schedule 1 to these Regulations.”;
- (c) after paragraph 16 (certain information need not be disclosed if an undertaking is established under the law of a country, or carries on business, outside of the UK) insert—
 - “**16A.** Where an acquisition has taken place in the financial year and the merger method of accounting has been adopted, the notes to the accounts must also disclose the names and the addresses of the registered offices of the undertakings concerned (whether in or outside the United Kingdom).”;
- (d) for paragraph 17 (minority interests) substitute—

“Non-controlling interests

17.—(1) The formats set out in Schedule 1 to these Regulations have effect in relation to group accounts with the following additions.

(2) In the balance sheet formats there must be shown, as a separate item and under the heading “non-controlling interests”, the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent LLP and its subsidiary undertakings.

(3) In the profit and loss account formats there must be shown, as a separate item and under the heading “non-controlling interests”, the amount of any profit or loss attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent LLP and its subsidiary undertakings.

(4) For the purpose of paragraph 4(1) and (2) of Schedule 1 (power to adapt or combine items)—

- (a) the additional item required by sub-paragraph (2) above is treated as one to which a letter is assigned, and
- (b) the additional item required by sub-paragraph (3) above is treated as one to which an Arabic number is assigned.”;

(e) in paragraph 18 (joint ventures)—

(i) in sub-paragraph (2), after “consolidated accounts” insert “and sections 402 and 405 of the 2006 Act”; and

(ii) after sub-paragraph (2) insert—

“(3) In addition to the disclosure of the average number of employees employed during the financial year (see section 411(7) of the 2006 Act), there must be a separate disclosure in the notes to the accounts of the average number of employees employed by undertakings that are proportionately consolidated.”; and

(f) after paragraph 22 (related party transactions) insert—

“Deferred tax balances

22A. Deferred tax balances must be recognised on consolidation where it is probable that a charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation.”.

Amendments to Schedule 4 (general interpretation)

61. In paragraph 2(1) of Schedule 4 (definitions of financial instruments), for the words from “Council Directive 78/660/EEC” to the end, substitute “Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings^(a) and Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings^(b)”.

Review

62. After regulation 7 (general interpretation) insert—

“PART 4

REVIEW

Review

8.—(1) The Secretary of State must from time to time—

- (a) carry out a review of the provisions of these Regulations to which amendments have been made by Part 4 of the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (“the 2016 Regulations”),
- (b) set out the conclusions of the review in a report, and

(a) OJ No L 182, 29.6.13, p. 19, as last amended by Council Directive 2014/102/EU.

(b) OJ No L 374, 31.12.91, p.7, as last amended by Directive 2006/46/EC.

- (c) publish the report.
- (2) The report must, in particular—
 - (a) set out the objectives intended to be achieved by those provisions,
 - (b) assess the extent to which those objectives are achieved,
 - (c) assess whether those objectives remain appropriate, and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (3) The first report under this regulation must be published before the end of the period of 5 years beginning with the date on which the 2016 Regulations come into force.
- (4) Subsequent reports under this regulation must be published at intervals not exceeding 5 years.
- (5) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015(a).”.

PART 5

Qualifying partnerships: micro-entities’ accounts

Amendment to the Small Companies (Micro-Entities’ Accounts) Regulations 2013

63.—(1) The Small Companies (Micro-Entities’ Accounts) Regulations 2013(b) are amended as follows.

(2) Omit regulation 3(1)(a) (disapplication of the Small Companies (Micro-Entities’ Accounts) Regulations 2013 to qualifying partnerships).

Amendment to the Partnerships (Accounts) Regulations 2008

64.—(1) The Partnerships (Accounts) Regulations 2008(c) are amended as follows.

(2) After regulation 18 (revocation and transitional provisions etc.) insert—

“Review

19.—(1) The Secretary of State must from time to time—

- (a) carry out a review of regulations 4(1)(d) and 9(1) and Part 1 of the Schedule(e),
- (b) set out the conclusions of the review in a report, and
- (c) publish the report.

(2) The report must, in particular—

- (a) set out the objectives intended to be achieved by those provisions,
- (b) assess the extent to which those objectives are achieved,
- (c) assess whether those objectives remain appropriate, and
- (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.

(a) 2015 c.26.
 (b) S.I. 2013/3008.
 (c) S.I. 2008/569, amended by S.I. 2013/2005, 2015/980.
 (d) Regulation 4(1) was amended by S.I. 2013/2005, regulation 4(1) and (4).
 (e) The Schedule was amended by S.I. 2015/980, regulation 42(1) and (5).

(3) In carrying out the review, the Secretary of State must have regard to how the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc. of certain types of undertakings are implemented in other Member States.

(4) The first report under this regulation must be published before the end of the period of 5 years beginning with the date on which the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 come into force.

(5) Subsequent reports under this regulation must be published at intervals not exceeding 5 years.

(6) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015.”.

PART 6

Amendments to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Amendments to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

65. The Large and Medium-sized Companies Accounts Regulations are amended in accordance with this Part.

66. In paragraph 18(1) (information to be given in the notes to the accounts in respect of an undertaking in a joint venture dealt with by proportional consolidation) of Part 3 of Schedule 4, for sub-paragraphs (a) and (b) substitute—

“(a) the name of the undertaking,

(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”.

67. After regulation 13 (general interpretation) insert—

“PART 6

REVIEW

Review

14.—(1) The Secretary of State must from time to time—

(a) carry out a review of the provisions of these Regulations to which amendments have been made by Part 6 of the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (“the 2016 Regulations”),

(b) set out the conclusions of the review in a report, and

(c) publish the report.

(2) The report must, in particular—

(a) set out the objectives intended to be achieved by those provisions,

(b) assess the extent to which those objectives are achieved,

(c) assess whether those objectives remain appropriate, and

(d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.

(3) In carrying out the review, the Secretary of State must have regard to how the provisions of Directive 2013/34/EU of 26 June 2013 on the annual financial statements etc.

of certain types of undertakings which are implemented by means of the provisions mentioned in paragraph (1)(a) are implemented in other Member States.

(4) The first report under this regulation must be published before the end of the period of 5 years beginning with the date on which the 2016 Regulations come into force.

(5) Subsequent reports under this regulation must be published at intervals not exceeding 5 years.

(6) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015.”.

	<i>Name</i>
	Parliamentary Under Secretary of State for Business, Innovation and Skills
Date	Department for Business, Innovation and Skills

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (S.I. 2008/1911), the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1912), the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1913), the Small Companies (Micro-Entities’ Accounts) Regulations 2013 (S.I. 2013/3008) (“the 2013 Regulations”), the Partnerships (Accounts) Regulations 2008 (S.I. 2008/569) and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410).

These Regulations amend the law relating to the preparation of the annual accounts of limited liability partnerships (“LLPs”) and to related matters such as the filing of their accounts. This includes the introduction of an exemption from certain financial reporting requirements for very small LLPs (“micro-entities”). The Regulations also introduce such an exemption for very small partnerships (including limited partnerships) which are “qualifying partnerships” under the Partnerships (Accounts) Regulations 2008. As regards qualifying partnerships (but not LLPs), these Regulations (Part 5) implement aspects of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ No L 182, 29.6.2013, p.19). Those aspects of the Directive have already been implemented for companies by the 2013 Regulations.

These Regulations extend to the whole of the United Kingdom.

Part 1 of the Regulations deals with introductory matters. Regulation 1 provides that the amended law applies in respect of financial years commencing on or after 1st January 2016, but an LLP or qualifying partnership may also choose to apply the amended law (except in one respect) to its financial year beginning on or after 1st January 2015 (but before 1st January 2016) if a copy of its accounts for that financial year has not already been delivered to the registrar of companies before the Regulations come into force.

Part 2 of the Regulations amends the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Those Regulations apply to LLPs, with modifications, provisions on the accounts and audit of companies contained in the Companies Act 2006 (c.46) (“the 2006 Act”).

Regulation 5(2)(c) and (3)(c) raises the thresholds which determine when an LLP or group qualifies as “small” for the purposes of certain accounting and reporting exemptions, and for exemption from audit. Regulation 5(4)(b) applies to LLPs a new modified section 384(2)(a) of the 2006 Act, with the effect that an LLP that is a member of a group one or more of whose members is a company admitted to trading on an EEA regulated market (such as the London Stock

Exchange) does not qualify as “small”. Section 384(2)(a), as previously applied to LLPs, had the effect that an LLP that was a member of a group one or more of whose members was a public company did not qualify as “small”.

Regulation 6 applies to LLPs new modified sections 384A and 284B of the 2006 Act. The modified section 384A prescribes the thresholds, based on turnover, balance sheet total and employee numbers, relevant to qualification as a micro-entity. Section 384B identifies those categories of LLP (including those LLPs already excluded from the small LLPs regime under Part 15 of the 2006 Act as applied to LLPs, those LLPs voluntarily preparing group accounts, and those LLPs whose accounts are included in consolidated group accounts) which are excluded from being treated as micro-entities.

Regulation 7 amends the modified section 393 of the 2006 Act that applies to LLPs, to identify, in the case of micro-entities, relevant considerations for the members of an LLP, when deciding whether to approve accounts on the basis that they give a true and fair value of the financial position of the LLP.

Regulation 8(3) amends the modified section 394B of the 2006 Act that applies to LLPs, to exclude from the dormant subsidiaries exemption LLPs whose transferable securities are admitted to trading on a regulated market. Regulation 8(4) amends the modified section 396 of the 2006 Act that applies to LLPs, to introduce a presumption that micro-entities’ accounts that comply with certain minimum requirements give a true and fair view.

Regulation 9(2) and (3) amends the law regarding the exemptions from a parent LLP’s obligation to prepare group accounts where that parent is itself included in the group accounts of a larger group.

Regulation 10(2) and (3) terminates the application to LLPs of the modified section 410 of the 2006 Act, with the effect that it will no longer be possible for an LLP to disclose relevant information about related undertakings (for instance, its subsidiaries) in its annual return – such information (where required) will have to be disclosed in the annual accounts.

Regulation 10(4) and (5) amends the modified sections 410A and 411 of the 2006 Act that apply to LLPs as regards the information which, generally speaking, LLPs must provide in their annual accounts concerning “off-balance sheet arrangements” and employee numbers and costs.

Regulation 11 amends the modified section 414 of the 2006 Act that applies to LLPs: it requires accounts prepared in accordance with the provisions applicable to LLPs that qualify as micro-entities to include a statement to that effect above the signature on the LLP’s balance sheet.

Regulation 12(3) amends the modified section 444 of the 2006 Act that applies to LLPs – the modified section concerns the filing obligations of small LLPs. Key changes here reflect the fact that a small LLP will no longer be able to file (at Companies House) annual accounts which are an abbreviated version of the accounts which it prepares and sends to its members – instead a small LLP must file the versions of the balance sheet and profit and loss account (where the profit and loss account is filed) which are prepared and sent to the members.

Regulation 15(3) amends the modified section 448B of the 2006 Act that applies to LLPs, to exclude from the dormant subsidiaries exemption LLPs whose transferable securities are admitted to trading on a regulated market.

Regulation 17(2) and (3) raises the thresholds which determine when an LLP or group qualifies as “medium-sized” for the purposes of certain accounting and reporting exemptions.

Regulation 18 amends the modified section 469 of the 2006 Act that applies to LLPs, to exempt micro-entities from the requirement to draw up a note relating to the exchange rate applied, when translating amounts set out in the accounts into euros.

Regulation 20 amends the modified section 472 of the 2006 Act that applies to LLPs, to provide that minimum prescribed notes to the accounts for micro-entities must appear at the foot of the balance sheet and not in a separate document.

Regulation 21 amends the modified section 474(1) of the 2006 Act that applies to LLPs, to insert several new definitions, including definitions relating to micro-entities.

Regulation 22(3) amends the modified section 479B of the 2006 Act that applies to LLPs, to exclude from the subsidiary LLPs audit exemption LLPs whose transferable securities are admitted to trading on a regulated market.

Regulation 24 amends the modified section 495 of the 2006 Act that applies to LLPs, to identify, in the case of micro-entities, relevant considerations for auditors, when deciding for the purposes of the auditor's report whether the accounts give a true and fair view of the financial position of the LLP.

Part 3 of the Regulations amends the Small Limited Liability Partnerships (Accounts) Regulations 2008. Those Regulations apply to LLPs, with modifications, provisions of the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (S.I. 2008/409).

Regulations 29 to 36 amend Part 2 of S.I. 2008/1912 which concerns the form and content of individual accounts. Regulation 29 disapplies, in the case of LLPs which are micro-entities, provision for fair value accounting and provision for the filing of micro-entity accounts. Regulation 32 applies regulation 5A of S.I. 2008/409, with modifications, to LLPs, which exempts micro-entities from the obligation to draw up notes to the accounts other than the prescribed minimum notes.

Regulations 34 to 36 make amendments to Part 1 of Schedule 1 to S.I. 2008/1912 (which concerns the general rules and formats for a small LLP's non-IAS individual accounts). Regulations 34 and 35 make changes to the prescribed formats, which include allowing LLPs which qualify as small to prepare abridged versions of the prescribed balance sheet and profit and loss account formats set out in Schedule 1, and allowing small LLPs to adapt the prescribed formats if conditions are satisfied. Regulation 36 amends Part 1 of Schedule 1 to S.I. 2008/1912 to provide, in new Section C, for two balance sheet formats and one profit and loss account format suitable for use by micro-entities.

Regulations 37 to 40 amend Part 2 of Schedule 1 to S.I. 2008/1912 (which concerns accounting principles and rules applicable to the annual accounts of small LLPs). Regulation 41 amends Part 3 of Schedule 1 to S.I. 2008/1912 so as to reduce greatly the number of notes to the annual accounts of small LLPs. Regulation 42 omits Schedule 2 to S.I. 2008/1912, reducing the information that small LLPs have to provide in their accounts if they are not preparing group accounts. Regulation 42 also omits Schedule 3 to S.I. 2008/1912, to reflect the fact that small LLPs are no longer permitted to file accounts which are different to those which they prepare and send to their members. Regulations 43 and 44 amend Schedule 4 to S.I. 2008/1912 concerning the accounts of a small group.

Part 4 of the Regulations amends the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008. Those Regulations apply to LLPs, with modifications, provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410).

Regulations 50 and 51 make various changes to Part 1 of Schedule 1 to S.I. 2008/1913 (which concerns the general rules and formats for a large or medium-sized LLP's non-IAS individual accounts), including allowing a large or medium-sized LLP to adapt the prescribed balance sheet and profit and loss account formats set out in Schedule 1, and introducing changes to the prescribed formats. Regulations 52 to 55 amend Part 2 of Schedule 1 to S.I. 2008/1913 concerning accounting principles and rules applicable to medium-sized and large LLPs, and mirror the changes being made to Part 2 of Schedule 1 to S.I. 2008/1912.

Regulation 56 amends Part 3 of Schedule 1 to S.I. 2008/1913 as regards the notes to the annual accounts of these LLPs. Regulations 58 and 59 amend Schedule 2 to S.I. 2008/1913 which concerns the information which all LLPs to which S.I. 2008/1913 applies must provide in their annual accounts as regards "related undertakings" (including subsidiaries). Regulation 60 amends Schedule 3 to S.I. 2008/1913 as regards the accounts of medium-sized and large groups.

Part 5 of the Regulations (regulation 63) amends the 2013 Regulations: regulation 3(1)(a) of the 2013 Regulations is revoked. As regulations 4(1) and 9(1) of, and Part 1 of the Schedule to, the Partnerships (Accounts) Regulations 2008 apply to qualifying partnerships, with modifications and adaptations, provisions of the 2006 Act and associated regulations relating to accounts and audit for companies, the effect of regulation 63 is to introduce for very small qualifying partnerships the exemption from certain financial reporting requirements that was introduced by the 2013 Regulations for very small companies.

Part 6 of the Regulations (regulation 66) makes a minor correction to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Regulations 26, 46, 62, 64 and 67 require the Secretary of State to review the provisions amended or affected by these Regulations, and to publish a report within five years after these Regulations come into force and within every five years after that. Following a review it will fall to the Secretary of State to consider whether the provisions should remain as they are, or be revoked or be amended. A further instrument would be needed to revoke or amend the provisions.

A transposition note for the 2013 Regulations, as amended by this instrument, is available alongside the 2013 Regulations at www.legislation.gov.uk.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Business Environment Directorate, Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET or from www.gov.uk/bis, and is also available alongside this instrument at www.legislation.gov.uk.

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