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STATUTORY INSTRUMENTS

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**2015 No. 980**

**COMPANIES**

**PARTNERSHIP**

The Companies, Partnerships and Groups  
(Accounts and Reports) Regulations 2015

*Made* - - - - 26th March 2015  
*Coming into force* - - 6th April 2015

The Secretary of State is a Minister designated<sup>(1)</sup> for the purposes of section 2(2) of the European Communities Act 1972<sup>(2)</sup> 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 and sections 396(3), 404(3), 409(1) and (2), 412(1) and (2), 468(1) and (2), 473(2), 484 and 1292(1) of the Companies Act 2006<sup>(3)</sup>.

In accordance with paragraph 2(2)(4) of Schedule 2 to the European Communities Act 1972 and sections 473(3), 484(3), 1290 and 1292(4) 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 Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

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(1) [S.I. 2007/193](#) and [S.I. 2007/1679](#).

(2) [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](#)).

(3) [2006 c.46](#). Part 15 (accounts and reports) and Chapter 1 of Part 16 (requirement for audited accounts) of the Companies Act 2006 are applied, with modifications, to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 ([S.I. 2008/569](#)).

(4) Paragraph 2(2) was amended by section 27(c) of the Legislative and Regulatory Reform Act 2006.

(2) In these Regulations—

“the Act” means the Companies Act 2006;

“the Small Companies Accounts Regulations” means the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008(5); and

“the Large and Medium-sized Companies Accounts Regulations” means the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(6).

### **Commencement and application**

2.—(1) These Regulations come into force on 6th April 2015.

(2) Subject to paragraph (3) and regulation 3, the amendments made by these Regulations have 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 the directors of the company so decide.

(3) Where—

(a) by virtue of paragraph (2)(b) the amendments made by 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 company qualifies as a small company in relation to that year,

the company is not exempt from the requirements of the Act relating to the audit of annual accounts for that year if the company would not have been so exempt had the amendments not had effect in relation to that year.

(4) In determining whether a company or group qualifies as small or medium-sized under section 382(2)(7), 383(3)(8), 465(2) or 466(3) of the Act (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 these Regulations have effect, the company 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 these Regulations had had effect in relation to that previous year.

(5) Notwithstanding paragraph (2), the directors of a company cannot take advantage of subsection (2) of section 410 of the Act (information about related undertakings: alternative compliance) in relation to annual accounts of the company approved, pursuant to section 414(9) of the Act, on or after 1st July 2015.

### **Disapplication of these Regulations to limited liability partnerships**

3. The amendments made by these Regulations to the Act, the Small Companies Accounts Regulations or the Large and Medium-sized Companies Accounts Regulations do not have effect in relation to the application of any provision of the Act or those regulations—

(5) S.I. 2008/409, amended by S.I. 2013/3008; there are other amending instruments but none is relevant. S.I. 2008/409 is applied, with modifications, to qualifying partnerships by S.I. 2008/569.

(6) S.I. 2008/410, relevant amending instruments are S.I. 2008/569 and S.I. 2013/2005. S.I. 2008/410 is applied, with modifications, to qualifying partnerships by S.I. 2008/569.

(7) Section 382(2) was substituted by the Small Companies (Micro-Entities’ Accounts) Regulations 2013 (S.I. 2013/3008), regulation 4(1) and (2)(b).

(8) Section 383(3) was substituted by S.I. 2013/3008, regulation 4(1) and (3)(b).

(9) Section 414 was amended by S.I. 2013/3008, regulation 5(1) and (4).

- (a) to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008<sup>(10)</sup>, or
- (b) to limited liability partnerships by the Small Limited Liability Partnerships (Accounts) Regulations 2008<sup>(11)</sup>.

## PART 2

### Amendment of the Act

#### **Amendment of Chapter 1 of Part 15 (accounts and reports: introduction)**

- 4.—(1) Chapter 1 of Part 15 of the Act is amended as follows.
- (2) In section 380 (scheme of Part 15), omit subsections (3) and (4).
  - (3) In the table in subsection (3) of section 382 (companies qualifying as small: general)<sup>(12)</sup>—
    - (a) in item 1 (turnover), for “Not more than £6.5 million” substitute “Not more than £10.2 million”, and
    - (b) in item 2 (balance sheet total), for “Not more than £3.26 million” substitute “Not more than £5.1 million”.
  - (4) In the table in subsection (4) of section 383 (companies qualifying as small: parent companies)<sup>(13)</sup>—
    - (a) 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)”, and
    - (b) 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)”.
  - (5) In section 384 (companies excluded from the small companies regime)—
    - (a) omit the words “is, or” in subsection (1), and
    - (b) for paragraph (a) of subsection (2) substitute—
      - “(a) a traded company.”.

#### **Amendment of Chapter 4 of Part 15 (accounts and reports: annual accounts)**

- 5.—(1) Chapter 4 of Part 15 of the Act is amended as follows.
- (2) For paragraph (c)(i) of subsection (2) of section 394A (individual accounts: exemption for dormant subsidiaries)<sup>(14)</sup>, substitute—
    - “(i) the provisions of Directive 2013/34/EU<sup>(15)</sup> of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, or”.
  - (3) In section 394B (companies excluded from the dormant subsidiaries exemption)<sup>(16)</sup>, for paragraph (a) substitute—

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<sup>(10)</sup> S.I. 2008/1911, to which there are amendments not relevant to these Regulations.

<sup>(11)</sup> S.I. 2008/1912.

<sup>(12)</sup> Section 382(3) was amended by S.I. 2008/393, regulation 3(1).

<sup>(13)</sup> Section 383(4) was amended by S.I. 2008/393, regulation 3(2).

<sup>(14)</sup> Section 394A was inserted by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (S.I. 2012/2301), regulation 9.

<sup>(15)</sup> OJ No. L 182, 29.6.13, p. 19.

<sup>(16)</sup> Section 394B was inserted by S.I. 2012/2301, regulation 9.

- “(a) a traded company.”.
- (4) In section 396 (Companies Act individual accounts), before subsection (1) insert—
- “(A1) Companies Act individual accounts must state—
- (a) the part of the United Kingdom in which the company is registered,
  - (b) the company’s registered number,
  - (c) whether the company is a public or a private company and whether it is limited by shares or by guarantee,
  - (d) the address of the company’s registered office, and
  - (e) where appropriate, the fact that the company is being wound-up.”.

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

**“IAS individual accounts**

- 397.**—(1) IAS individual accounts must state—
- (a) the part of the United Kingdom in which the company is registered,
  - (b) the company’s registered number,
  - (c) whether the company is a public or a private company and whether it is limited by shares or by guarantee,
  - (d) the address of the company’s registered office, and
  - (e) where appropriate, the fact that the company is being wound-up.
- (2) The notes to the accounts must state that the accounts have been prepared in accordance with international accounting standards.”.
- (6) In section 399 (duty to prepare group accounts)—
- (a) after subsection (2) insert—
 

“(2A) A company is exempt from the requirement to prepare group accounts if—

    - (a) it would be subject to the small companies regime but for being a public company, and
    - (b) it is not a traded company.”, and
  - (b) after the word “are” in subsection (3), insert the word “further”.
- (7) In section 400 (exemption for company included in EEA group accounts of larger group)—
- (a) in subsection (1), for paragraph (b) substitute—
 

“(b) where that parent undertaking holds 90% or more of the allotted shares in the company and the remaining shareholders have approved the exemption;

(c) where that parent undertaking holds more than 50% (but less than 90%) of the allotted shares in the company and notice requesting the preparation of group accounts has not been served on the company by the shareholders holding in aggregate at least 5% of the allotted shares in the company.

Such notice must be served at least six months before the end of the financial year to which it relates.”,
  - (b) in subsection (2)—
    - (i) for sub-paragraph (i) of paragraph (b) substitute—
 

“(i) in accordance with the provisions of Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements,

- consolidated financial statements and related reports of certain types of undertakings, or”,
- (ii) insert the words “the notes to” before the words “its individual accounts” in paragraph (c), and
  - (iii) in paragraph (d), for sub-paragraph (i) substitute—
    - “(i) the address of the undertaking’s registered office (whether in or outside the United Kingdom), or”,
  - (c) in subsection (3), after “subsection (1)(b)” insert “and (c)”,
  - (d) in subsection (4), for the words from “any” to the end, substitute “which is a traded company.”, and
  - (e) omit subsection (6).
- (8) In section 401 (exemption for company included in non-EEA group accounts of larger group)
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- (a) in subsection (1), for paragraph (b) substitute—
    - “(b) where that parent undertaking holds 90% or more of the allotted shares in the company and the remaining shareholders have approved the exemption; or
    - (c) where that parent undertaking holds more than 50% (but less than 90%) of the allotted shares in the company and notice requesting the preparation of group accounts has not been served on the company by the shareholders holding in aggregate at least 5% of the allotted shares in the company.

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 and, where appropriate, the group’s annual report, must be drawn up—
      - (i) in accordance with the provisions 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,
      - (ii) in a manner equivalent to consolidated accounts and consolidated reports 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\(17\)](#) 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;
  - (c) in subsection (2)(e), for sub-paragraph (i) substitute—
    - “(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)”,

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(17) OJ No. L 340, 22.12.07, p.66.

- (e) in subsection (4), for the words “any” to the end substitute “which is a traded company”, and
- (f) omit subsection (6).
- (9) In section 404 (Companies Act group accounts), before subsection (1) insert—
  - “(A1) Companies Act group accounts must state, in respect of the parent company—
    - (a) the part of the United Kingdom in which the company is registered,
    - (b) the company’s registered number,
    - (c) whether the company is a public or a private company and whether it is limited by shares or by guarantee,
    - (d) the address of the company’s registered office, and
    - (e) where appropriate, the fact that the company is being wound-up.”
- (10) At the beginning of subsection (3)(b) of section 405 (Companies Act group accounts: subsidiary undertakings included in the consolidation), insert “extremely rare circumstances mean that”.
- (11) For section 406 (IAS group accounts), substitute—

**“IAS group accounts**

- 406.**—(1) IAS group accounts must state—
  - (a) the part of the United Kingdom in which the company is registered,
  - (b) the company’s registered number,
  - (c) whether the company is a public or a private company and whether it is limited by shares or by guarantee,
  - (d) the address of the company’s registered office, and
  - (e) where appropriate, the fact that the company is being wound-up.
- (2) The notes to the accounts must state that the accounts have been prepared in accordance with international accounting standards.”
- (12) In section 408 (individual profit and loss account where group accounts prepared)(**18**)—
  - (a) for subsection (1)(b) substitute—
    - “(b) the company’s individual balance sheet shows the company’s profit and loss for the financial year determined in accordance with this Act.”, and
  - (b) omit subsection (2).
- (13) Omit section 410.
- (14) In section 410A (information about off-balance arrangements)(**19**)—
  - (a) for subsection (1) substitute—
    - “(1) If in any financial year—
      - (a) a company 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,

(18) Section 408 was amended by [S.I. 2008/393](#), regulation 10.

(19) Section 410A was inserted by [S.I. 2008/393](#), regulation 8.

the information required by this section must be given in the notes to the company's annual accounts.", and

- (b) for subsection (4), substitute—
  - “(4) If the company is subject to the small companies regime in relation to the financial year (see section 381), it need not comply with subsection (2)(b).”
- (15) In section 411 (information about employee numbers and costs)—
  - (a) for subsection (1) substitute—
    - “(1) The notes to a company's annual accounts must disclose the average number of persons employed by the company in the financial year.
    - (1A) In the case of a company not subject to the small companies regime, the notes to the company'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)”, and
    - (ii) in paragraph (b), for “subsection (1)(b)” substitute “subsection (1A)”, and
  - (e) for subsection (5) substitute—
    - “(5) Except in the case of a company subject to the small companies regime, the notes to the company's annual accounts or the profit and loss account must disclose, with reference to all persons employed by the company during the financial year, the total staff costs of the company 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 company on their behalf, and
      - (c) other pension costs so incurred.”
- (16) In section 413 (information about directors' benefits: advances, credit and guarantees)—
  - (a) in subsection (3)—
    - (i) omit the word “and” at the end of paragraph (c),
    - (ii) after paragraph (d) insert—
      - “(e) any amounts written off, and
      - (f) any amounts waived.”
  - (b) in subsection (5), insert after paragraph (b)—
    - “(ba) of amounts stated under subsection 3(e),
    - (bb) of amounts stated under subsection 3(f),”, and
  - (c) in subsection (6), for “a director” substitute “directors”.

#### **Amendment of Chapter 4A of Part 15 (accounts and reports: strategic report)**

6. In section 414B (strategic report: small companies exemption)(20), insert the word “the” before the words “small companies exemption”.

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(20) Section 414B was inserted by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (S.I. 2013/1970), regulation 3.

**Amendment of Chapter 5 of Part 15 (accounts and reports: directors' report)**

7. After subsection (1) of section 415 (duty to prepare directors' report) insert—

“(1A) Subsection (1) does not apply if the company qualifies as a micro-entity (see sections 384A and 384B).”

**Amendment of Chapter 10 of Part 15 (accounts and reports: filing of accounts and report)**

8.—(1) Chapter 10 of Part 15 of the Act is amended as follows.

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

- (a) at the beginning of subsection (5), insert “Subject to subsection (5A),” and
- (b) insert after subsection (5)—

“(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 companies subject to small companies regime)(21)—

- (a) in subsection (1)(a), for the words “a balance sheet” substitute “the balance sheet”,
- (b) at the beginning of subsection (2), insert the words “Where the directors deliver to the registrar a copy of the company’s profit and loss account under subsection (1)(b)(i),”
- (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 Companies and Groups (Accounts and Directors' Report) Regulations (S.I. 2008/409)(22), the directors must also deliver to the registrar a statement by the company that all the members of the company have consented to the abridgement.”

- (d) in subsection (3), omit the words “Subject to subsection (3A),”
- (e) omit subsections (3A), (3B) and (4),
- (f) in subsection (5), omit the words “deliver to the registrar IAS accounts, or Companies Act 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 directors of a company subject to the small companies regime do not deliver to the registrar a copy of the company’s profit and loss account—

- (a) the copy of the balance sheet delivered to the registrar must disclose that fact, and
- (b) unless the company is exempt from audit and the directors 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 section 498(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

(21) Section 444 was amended by S.I. 2013/3008, regulations 6(a) and (b) and 12.

(22) Paragraph 1A of Schedule 1 to 2008/409 is inserted by regulation 16(2)(c) of these Regulations.



- (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 resolution has been passed and notified to the Secretary of State in accordance with that section.
- (5C) Subsection (5A) does not apply in relation to a company if—
  - (a) the company qualifies as a micro-entity (see sections 384A and 384B) in relation to a financial year, and
  - (b) the company’s accounts are prepared for that year in accordance with any of the micro-entity provisions.”
- (4) Omit section 445(3).
- (5) Omit section 445(4).
- (6) For sub-paragraph (i) of subsection (2)(c) of section 448A (dormant subsidiaries exempt from obligation to file accounts)(**23**), substitute—
  - “(i) the provisions of Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, or”.
- (7) In section 448B (companies excluded from the dormant subsidiaries exemption)(**24**), for paragraph (a) substitute—
  - “(a) a traded company,”
- (8) Omit section 449 (special auditor’s report where abbreviated accounts delivered).
- (9) Omit section 450 (approval and signing of abbreviated accounts).

**Amendment of Chapter 12 of Part 15 (accounts and reports: supplementary provisions)**

- 9.**—(1) Chapter 12 of Part 15 of the Act is amended as follows.
- (2) In the table in subsection (3) of section 465 (companies qualifying as medium-sized: general)(**25**)—
  - (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 subsection (4) of section 466 (companies qualifying as medium-sized: parent companies)(**26**)—
  - (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) For paragraph (a) of subsection (2) of section 467 (companies excluded from being treated as medium-sized) substitute—

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(23) Section 448A was inserted by [S.I. 2012/2301](#), regulation 11.

(24) Section 448B was inserted by [S.I. 2012/2301](#), regulation 11.

(25) Section 465(3) was amended by [S.I. 2008/393](#), regulation 4(1).

(26) Section 466(4) was amended by [S.I. 2008/393](#), regulation 4(2).

- “(a) a traded company.”
- (5) In section 472 (notes to the accounts)(**27**)—
- (a) omit subsection (1), and
- (b) in subsection (1A), omit the word “But”.
- (6) In subsection (1) of section 474 (minor definitions)—
- (a) insert the following definitions at the appropriate places—
- ““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;” and
- (b) in the definition of “turnover” omit the words “falling within the company’s ordinary activities”.

#### **Amendment of Chapter 1 of Part 16 (audit: requirement for audited accounts)**

- 10.**—(1) Chapter 1 of Part 16 of the Act is amended as follows.
- (2) For sub-paragraph (i) of subsection (2)(c) of section 479A (subsidiary companies: conditions for exemption from audit)(**28**), substitute—
- “(i) the provisions of Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated statements and related reports of certain types of undertakings, or”.
- (3) In section 479B (companies excluded from the subsidiary companies audit exemption)(**29**), for paragraph (a) substitute—
- “(a) a traded company as defined in section 474(1),”
- (4) In section 481 (companies excluded from dormant companies exemption), before paragraph (a), insert—
- “(za) is a traded company as defined in section 474(1),”.

#### **Amendment of Chapter 3 of Part 16 (audit: functions of auditor)**

- 11.**—(1) Chapter 3 of Part 16 of the Act is amended as follows.
- (2) For section 496 (auditor’s report on strategic report and directors’ report), substitute—

##### **“Auditor’s report on strategic report and director’s report**

- 496.** In his report on the company’s annual accounts, the auditor must—
- (a) state whether, in his opinion, based on the work undertaken in the course of the audit—
- (i) the information given in the strategic report (if any) and the directors’ report for the financial year for which the accounts are prepared is consistent with those accounts, and
- (ii) any such strategic report and the directors’ report have been prepared in accordance with applicable legal requirements,

(27) Section 472 was amended by [S.I. 2013/3008](#), regulation 7(4).

(28) Section 479A was inserted by [S.I. 2012/2301](#), regulation 7.

(29) Section 479B was inserted by [S.I. 2012/2301](#), regulation 7.

- (b) state whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, he has identified material misstatements in the strategic report (if any) and the directors' report, and
- (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b)."

(3) For section 497A (auditor's report on separate corporate governance statement)(30), substitute—

**“Auditor’s report on separate corporate governance statement**

**497A.** Where the company prepares a separate corporate governance statement in respect of a financial year, the auditor must, in his report of the company’s annual accounts for that year—

- (a) state whether, in his opinion, based on the work undertaken in the course of the audit, the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures)—
  - (i) is consistent with those accounts, and
  - (ii) has been prepared in accordance with applicable legal requirements,
- (b) state whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, he has identified material misstatements in the information in the statement referred to in paragraph (a),
- (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b), and
- (d) state whether, in his opinion, based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about the company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with, if applicable.”

**Amendment of Part 38 (companies: interpretation)**

**12.—**(1) Part 38 of the Act is amended as follows.

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

““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;”.

**Amendment of Schedule 8 (index of defined expressions)**

**13.—**(1) Schedule 8(31) is amended as follows.

(2) Omit the entry in respect of “abbreviated accounts”.

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(30) Section 497A was inserted by the Companies Act 2006 (Accounts, Reports and Audit) Regulations 2009 (S.I. 2009/1581), regulation 6 and subsequently amended by the Financial Services Act 2012 (Consequential Amendments) Order 2013 (S.I. 2013/636), Schedule, paragraph 9.

(31) Schedule 8 was amended by the Companies (Shareholders’ Rights) Regulations 2009 (S.I. 2009/1632), regulation 21(2).

(3) For the entry in respect of “qualified” in that Schedule, substitute—

“qualified, in relation to an auditor’s report etc	
- in Part 15	section 474(1)
- in Part 16	section 539”

(4) For the entry in respect of “traded company” in that Schedule, substitute—

“traded company	
- in Part 13	section 360C
- in Part 15	section 474(1)”

(5) After the entry in respect of “transfer, in relation to a non-cash asset”, insert—

“transferable securities	section 1173(1)”
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## PART 3

### Amendment of the Small Companies Accounts Regulations

#### **Amendment of Part 2 of the Small Companies Accounts Regulations (form and content of individual accounts)**

**14.**—(1) Part 2 of the Small Companies Accounts Regulations is amended as follows.

- (2) Omit regulation 3(2).
- (3) Omit regulation 4.
- (4) Omit regulation 5.
- (5) Omit regulation 6.

#### **Amendment of Part 4 of the Small Companies Accounts Regulations (form and content of group accounts)**

**15.**—(1) Part 4 of the Small Companies Accounts Regulations is amended as follows.

- (2) In regulation 8, omit the words “Part 1 of”.
- (3) Omit regulation 9.
- (4) Omit paragraph (a) of regulation 11.

#### **Amendment of Part 1 (general rules and formats) of Schedule 1 (Companies Act individual accounts) to the Small Companies Accounts Regulations**

**16.**—(1) Part 1 of Schedule 1 to the Small Companies Accounts Regulations is amended as follows.

- (2) In Section A (general rules)—

- (a) in sub-paragraph (1)(b) of paragraph 1, for the words “any one” substitute “either”,
- (b) at the beginning of paragraph (3), insert “Subject to paragraph 1A”.
- (c) after paragraph 1, insert—

**1A.—(1)** Where appropriate to the circumstances of a company’s business, the company’s directors 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 (5) of the notes to the formats is complied with,
- (b) in the case of format 2, notes (5) and (10) of those notes are complied with, and
- (c) all of the members of the company have consented to the drawing up of the abridged balance sheet.

(2) Where appropriate to the circumstances of a company’s business, the company’s directors 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 company 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.

(4) Sub-paragraphs (1) and (2) do not apply in relation to the preparation of, as appropriate, a company’s balance sheet or profit and loss account for a particular financial year if the company was a charity at any time within that year.

**1B.—(1)** The company’s directors 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 company’s directors 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 Section A of this Part of this Schedule apply to the balance sheet or profit or loss account of a company notwithstanding any such abridgment or adaptation pursuant to paragraph 1A or 1B. ”

- (d) In paragraph 6, omit the words “on ordinary activities”.
- (e) After paragraph 9, 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.”

- (3) In Section B (the required formats for the accounts of companies other than micro-entities)—
- (a) for the heading “LIABILITIES” in balance sheet format 2, substitute “CAPITAL, RESERVES AND LIABILITIES”,
  - (b) in note (5) of the “Notes on the balance sheet formats”, for the words “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”,
  - (c) in note (10) of the “Notes on the balance sheet formats”, omit the words “unless the aggregate amount of creditors falling due within one year and the aggregate amount of creditors falling due after more than one year is disclosed in the notes to the accounts”,
  - (d) in profit and loss account format 1—
    - (i) at item 12, for the word “charges”, substitute “expenses”,
    - (ii) at item 13, omit the words “on ordinary activities”,
    - (iii) at item 14, omit the words “on ordinary activities”, and
    - (iv) omit items 15, 16, 17 and 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) at item 8, for the word “charges”, substitute “expenses”,
    - (iii) at item 14, for the word “charges”, substitute “expenses”,
    - (iv) at item 15, omit the words “on ordinary activities”,
    - (v) at item 16, omit the words “on ordinary activities”, and
    - (vi) omit items 17, 18, 19 and 20.
  - (f) omit profit and loss account format 3,
  - (g) omit profit and loss account format 4,
  - (h) in note (11) of the “Notes on the profit and loss account formats”, omit the words “and Format 3, items A 1, 2 and 3”,
  - (i) in note (12) of the “Notes on the profit and loss account formats”, omit the words “Format 3, items B 5 and 6 and Format 4, items B 7 and 8”,
  - (j) in the title to note (13) of the “Notes on the profit and loss account formats”, for the word “charges” substitute “expenses” and in that note omit the words “Format 3, item A 5 and Format 4, item A 7”, and
  - (k) omit note (14) of the “Notes on the profit and loss account formats”.
- (4) In Section C (the required formats for the accounts of micro-entities), for the heading “LIABILITIES” in balance sheet format 2, substitute “CAPITAL, RESERVES AND LIABILITIES”.

## **Amendment of Part 2 (accounting principles and rules) of Schedule 1 to the Small Companies Accounts Regulations**

17.—(1) Part 2 of Schedule 1 to the Small Companies Accounts Regulations is amended as follows.

(2) In Section A (accounting principles)—

(a) at paragraph 12, after the word “policies”, insert “and measurement bases”,

(b) at paragraph 13—

(i) omit the word “and” at the end of sub-paragraph (a),

(ii) insert the word “and” at the end of sub-paragraph (b), and

(iii) insert the following sub-paragraph after sub-paragraph (b)—

“(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss.”, and

(c) after paragraph 15, insert—

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

(3) In Section B (historical cost accounting rules)—

(a) for paragraph 19(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) for paragraph 20(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 and 22, 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 a company’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 directors of the company.

(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), add the words “and then subtracting any incidental reductions in the cost of acquisition”,
- (e) for the words “similar to any of the methods mentioned above” in sub-paragraph (2)(d) of paragraph 28 (determination of purchase price or production cost), substitute “reflecting generally accepted best practice”, and
- (f) after paragraph 29, insert—

**“Equity method in respect of participating interests**

- 29A.**—(1) Participating interests may be accounted for using the equity method.
- (2) If participating interests are accounted for using the equity method—
- (a) the proportion of profit or loss attributable to a participating interest and recognised in the profit and loss account may be that proportion which corresponds to the amount of any dividends, and
  - (b) where the profit attributable to a participating interest and recognised in the profit and loss account exceeds the amount of any dividends, the difference must be placed in a reserve which cannot be distributed to shareholders.
- (3) The reference to “dividends” in sub-paragraph (2) includes dividends already paid and those whose payment can be claimed.”.
- (4) In Section C (alternative accounting rules)—
- (a) omit sub-paragraphs (4) and (5) of paragraph 32,
  - (b) in paragraph 34(2), for the words “a note to the accounts” substitute “the note on accounting policies (see paragraph 44 of this Schedule)”,
  - (c) for paragraph 34(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
  - (d) in sub-paragraph (2) of paragraph 35 (revaluation reserve)—
    - (i) before the words “in Format 1 or 2”, insert the words “under “Capital and reserves””, and
    - (ii) omit the words “but need not be shown under that name”.
- (5) In Section D (fair value accounting)—
- (a) for sub-paragraph (4) of paragraph 36, 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, 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) Such stocks, investment property, and living animals and plants may be included at fair value, provided that, as the case maybe, 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) omit sub-paragraph (2) of paragraph 41.

### **Amendment of Part 3 (notes to the accounts) of Schedule 1 to the Small Companies Accounts Regulations**

**18.**—(1) Part 3 of Schedule 1 to the Small Companies Accounts Regulations is amended as follows.

(2) For paragraph 42, substitute—

#### **“Preliminary**

**42.**—(1) Any information required in the case of a company 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.”.

(3) Omit paragraph 43.

(4) In paragraph 45, substitute “48 to 57” for “46 to 58”.

(5) Omit paragraph 46.

(6) Omit paragraph 47.

(7) Omit paragraph 50.

(8) For paragraph 51, substitute—

#### **“Information about fair value of assets and liabilities**

**51.**—(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.”.
- (9) Omit paragraph 52.
- (10) Omit paragraph 53.
- (11) For paragraph 54, substitute—

**“Information about revalued fixed assets**

- 54.**—(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.”.
- (12) At the end of paragraph 55(2), insert the words “with an indication of the nature and form of any such security”.
- (13) Omit paragraph 56.
- (14) For paragraph 57, substitute—

**“Guarantees and other financial commitments**

- 57.**—(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 company 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 company, or
  - (b) any undertaking in which the company has a participating interest
 must be separately stated and those within paragraph (a) must also be stated separately from those within paragraph (b).”.
- (15) Omit paragraph 58.
- (16) Omit paragraph 59.
- (17) Omit paragraph 60.
- (18) For sub-paragraphs (2) and (3) of paragraph 61 substitute—
  - “(2) The amount and nature of any individual items of income or expenditure of exceptional size or incidence must be stated.”.
- (19) Omit paragraph 62.
- (20) Omit paragraph 63.
- (21) After paragraph 63, insert—

#### **“Post balance sheet events**

**64.** 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**

**65.** Where the company 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 company 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 unincorporated, the address of its principal place of business.

#### **Related party transactions**

**66.—**(1) Particulars may be given of transactions which the company 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) owners holding a participating interest in the company;
- (b) companies in which the company itself has a participating interest; and
- (c) the company’s directors.

(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 company.

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

(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 Schedules to the Small Companies Accounts Regulations**

**19.** Omit Schedule 2 (information about related undertakings where company not preparing group accounts (Companies Act or IAS individual accounts)) to the Small Companies Accounts Regulations.

**20.** Omit Schedule 3 (information about directors’ benefits: remuneration (Companies Act or IAS individual accounts)) to the Small Companies Accounts Regulations.

**21.** Omit Schedule 4 (Companies Act abbreviated accounts for delivery to Registrar of Companies).

**Amendment of Part 1 (form and content of Companies Act group accounts) of Schedule 6 (group accounts) to the Small Companies Accounts Regulations**

**22.**—(1) Part 1 of Schedule 6 to the Small Companies Accounts Regulations is amended as follows.

(2) In paragraph 1(1), for the words “sub-paragraphs (1) and (2)”, substitute “the following provisions of this Schedule”.

(3) After paragraph 1(1), insert—

“(1A) Paragraph 1A of Schedule 1 to these Regulations does not apply to group accounts.”.

(4) In paragraph 1(3)—

(a) at the end of sub-paragraph (a), insert the word “and”, and

(b) omit sub-paragraphs (c) and (d).

(5) After paragraph 2(1), insert—

“(1A) Group accounts must be drawn up as at the same date as the accounts of the parent company.”

(6) After paragraph 9(5) 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.”

(7) For paragraph 10, substitute—

“**10.** The conditions for accounting for an acquisition as a merger are—

(a) that the undertaking whose shares are acquired is ultimately controlled by the same party both before and after the acquisition,

(b) that the control referred to in paragraph (a) is not transitory, and

(c) that adoption of the merger method accords with generally accepted accounting principles or practice.”

(8) After paragraph 16, 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—

(a) the address of the registered office of the undertaking acquired (whether in or outside the United Kingdom),

(b) the name of the party referred to in paragraph 10(a),

(c) the address of the registered office of that party (whether in or outside the United Kingdom), and

(d) the information referred to in paragraph 11(6).”

(9) For paragraph 17, 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 company 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 company 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.”.

(10) In paragraph 18(2), insert the words “and sections 402 and 405 of the 2006 Act” after “consolidated accounts”.

(11) After paragraph 18(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.”.

(12) After paragraph 20, 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 66 of Schedule 1 to these Regulations applies to transactions which the parent company, or other undertakings included in the consolidation, have entered into with related parties, unless they are intra-group transactions.”.

### **Amendment of Part 2 (information about related undertakings where company preparing group accounts (Companies Act or IAS group accounts)) of Schedule 6 to the Small Companies Accounts Regulations**

**23.**—(1) Part 2 of Schedule 6 to the Small Companies Accounts Regulations is amended as follows.

(2) For paragraph 22(3)(a), substitute—

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

(3) For paragraph 26(1)(b), substitute—

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

(4) In paragraph 26(1)(d), insert the words “or on behalf of” after the words “held by”.

(5) For paragraph 27(3)(a), substitute—

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

(6) For paragraph 29(2)(a), substitute—

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

(7) For paragraph 32(2)(a), substitute—

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

#### **Amendment of Schedule 7 (interpretation of term “provisions”) to the Small Companies Accounts Regulations**

24. After paragraph 2 of Schedule 7 to the Small Companies Accounts Regulations, insert—

“2A. 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.

2B. Provisions must not be used to adjust the values of assets.”

#### **Amendment of Schedule 8 (general interpretation) to the Small Companies Accounts Regulations**

25.—(1) Schedule 8 to the Small Companies Accounts Regulations is amended as follows.

(2) For paragraph 2(1), substitute—

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

(3) In paragraph 8(5)(32), omit the words “and Part 1 of Schedule 4”.

(4) In paragraph 11(3)(33), for the words “Formats 2 and 4” substitute “Format 2”.

## **PART 4**

### **Amendment of the Large and Medium-sized Companies Accounts Regulations**

#### **Amendment of Part 2 of the Large and Medium-sized Companies Accounts Regulations (form and content of accounts)**

26.—(1) Part 2 of the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) For regulation 4(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 72 (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) owners holding a participating interest in the company;

(b) companies in which the company itself has a participating interest; and

(32) Paragraph 8(5) was amended by [S.I. 2013/3008](#), regulation 2(1).

(33) Paragraph 11(3) was amended by [S.I. 2013/3008](#), regulation 13.

- (c) the company's directors.”
- (3) Omit regulation 4(3).

**Amendment of Part 1 (general rules and formats) of Schedule 1 (Companies Act individual accounts: companies which are not banking or insurance companies) to the Large and Medium-sized Companies Accounts Regulations**

**27.**—(1) Part 1 of Schedule 1 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

- (2) In Section A (general rules)—
  - (a) in sub-paragraph (1)(b) of paragraph 1, for the words “any one” substitute “either”,
  - (b) at the beginning of paragraph 1(3), insert “Subject to paragraph 1A,”
  - (c) after paragraph 1, insert—

“**1A.**—(1) The company’s directors 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 company’s directors 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 Section A of this Part of this Schedule apply to the balance sheet or profit or loss account of a company notwithstanding any such adaptation pursuant to this paragraph. ”

- (d) In paragraph 6, omit the words “on ordinary activities”.
- (e) After paragraph 9, 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.”.

- (3) In Section B (the required formats for accounts)—
  - (a) for item “4 Other reserves”, in balance sheet format 1, substitute “4 Other reserves, including the fair value reserve”,
  - (b) for the heading “LIABILITIES” in balance sheet format 2, substitute “CAPITAL, RESERVES AND LIABILITIES”,
  - (c) for item “4 Other reserves”, in balance sheet format 2, substitute “4 Other reserves, including the fair value reserve”,
  - (d) in profit and loss account format 1—
    - (i) at item 12, for the word “charges”, substitute “expenses”,
    - (ii) at item 13, omit the words “on ordinary activities”,

- (iii) at item 14, omit the words “on ordinary activities”, and
- (iv) omit items 15, 16, 17 and 18,
- (e) in profit and loss account format 2—
  - (i) at item 5(b), for the word “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) at item 8, for the word “charges” substitute “expenses”,
  - (iv) at item 14, for the word “charges” substitute “expenses”,
  - (v) at item 15, omit the words “on ordinary activities”,
  - (vi) at item 16, omit the words “on ordinary activities”, and
  - (vii) omit items 17, 18, 19 and 20,
- (f) omit profit and loss account format 3,
- (g) omit profit and loss account format 4,
- (h) in note (14) of the “Notes on the profit and loss account formats”, omit the words “and format 3, items A.1, 2 and 3”,
- (i) in note (15) of the “Notes on the profit and loss account formats”, omit the words “format 3, items B.5 and 6 and format 4, items B.7 and 8”,
- (j) in the title of note (16) of the “Notes on the profit and loss account formats”, for the word “charges”, substitute “expenses” and in that note omit the words “format 3, item A.5 and format 4, item A.7”,
- (k) for the title of note (17) of the “Notes on the profit and loss account formats”, substitute “Format 1” and in that note—
  - (i) for the words “items 7(a) and A.4(a) respectively in formats 2 and 4”, substitute “item 7(a) in format 2”, and
  - (ii) omit the words “or format 3”.

**Amendment of Part 2 (accounting principles and rules) of Schedule 1 to the Large and Medium-sized Companies Accounts Regulations**

**28.**—(1) Part 2 of Schedule 1 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

- (2) In Section A (accounting principles)—
  - (a) at paragraph 12, after the word “policies” insert the words “and measurement bases”,
  - (b) at paragraph 13—
    - (i) omit the word “and” at the end of sub-paragraph (a),
    - (ii) insert the word “and” at the end of sub-paragraph (b),
    - (iii) insert the following sub-paragraph after sub-paragraph (b)—
      - “(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss.”, and
  - (c) after paragraph 15, insert—
    - “**15A.** The opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year.”.



(3) In Section B (historical cost accounting rules)—

(a) for paragraph 19(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) for paragraph 20(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 and 22, 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 a company’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 directors of the company.

(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), add the words “and then subtracting any incidental reductions in the cost of acquisition”,

(e) for the words “similar to any of the methods mentioned above” in sub-paragraph (2)(d) of paragraph 28, substitute “reflecting generally accepted best practice”, and

(f) after paragraph 29, insert—

#### **“Equity method in respect of participating interests**

**29A.—**(1) Participating interests may be accounted for using the equity method.

(2) If participating interests are accounted for using the equity method—

(a) the proportion of profit or loss attributable to a participating interest and recognised in the profit and loss account may be that proportion which corresponds to the amount of any dividends, and

(b) where the profit attributable to a participating interest and recognised in the profit and loss account exceeds the amount of any dividends, the difference must be placed in a reserve which cannot be distributed to shareholders.

- (3) The reference to “dividends” in sub-paragraph (2) includes dividends already paid and those whose payment can be claimed.”.
- (4) In Section C (alternative accounting rules)—
- (a) omit sub-paragraphs (4) and (5) of paragraph 32,
  - (b) in paragraph 34(2), for the words “a note to the accounts” substitute “the note on accounting policies (see paragraph 44 of this Schedule)”,
  - (c) for paragraph 34(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
  - (d) in sub-paragraph (2) of paragraph 35 (revaluation reserve)—
    - (i) before the words “in format 1 or 2”, insert “under “Capital and reserves””, and
    - (ii) omit the words “but need not be shown under that name”.
- (5) In Section D (fair value accounting)—
- (a) for sub-paragraph (4) of paragraph 36, 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, 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) Such 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.”

**Amendment of Part 3 (notes to the accounts) of Schedule 1 to the Large and Medium-sized Companies Accounts Regulations**

**29.**—(1) Part 3 of Schedule 1 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

- (2) For paragraph 42, substitute—

**“Preliminary**

**42.**—(1) Any information required in the case of a company 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.”.

- (3) For paragraph 55, substitute—

**“Information about fair value of assets and liabilities**

**55.**—(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.”.

(4) In paragraph 58(1), insert “stocks,” after the words “in respect of”.

(5) In paragraph 59(2), insert “in tabular form” after the words “in the same item”.

(6) In sub-paragraph (b) of paragraph 61(4), insert “and form” after the word “nature”.

(7) For paragraph 63, substitute—

**“Guarantees and other financial commitments**

**63.**—(1) Particulars must be given of any charge on the assets of the company 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 company 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 directors of the company 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 company,
- (b) any subsidiary undertaking of the company, or

- (c) any undertaking in which the company 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.”.
- (8) For the closing words at sub-paragraph (2) of paragraph 67 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.”.
- (9) For sub-paragraphs (2) and (3) of paragraph 69 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.”.
- (10) In paragraph 72(1), for the words “regulation 4(2) for exemption”, substitute “regulation 4(2B) for a modification”.
- (11) After paragraph 72, insert—

**“Post balance sheet events**

**72A.** 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**

**72B.** 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 of Part 4 to Schedule 1 to the Large and Medium-sized Companies Accounts Regulations**

**30.** Omit paragraph 73.

**Amendment of Part 1 (general rules and formats) of Schedule 2 to the Large and Medium-sized Companies Accounts Regulations**

**31.—**(1) Part 1 of Schedule 2 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) After paragraph 10, insert—

**“10A.** 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.”

**Amendment of Part 2 (accounting principles and rules) of Schedule 2 to the Large and Medium-sized Companies Accounts Regulations**

**32.—**(1) Part 2 of Schedule 2 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) In Section A (accounting principles)—

(a) at paragraph 18, after the word “policies”, insert “and measurement bases”,

(b) at paragraph 19—

(i) omit the word “and” at the end of sub-paragraph (a),

(ii) insert the word “and” at the end of sub-paragraph (b),

(iii) insert the following sub-paragraph after sub-paragraph (b)—

“(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss.”, and

(c) after paragraph 21, insert—

“**21A.** The opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year.”.

(3) In Section B (historical cost accounting rules)—

(a) for paragraph 25(4), substitute—

“(4) Provisions made under this paragraph must be charged to the profit and loss account and disclosed separately in a note to the accounts if they have not been shown separately in the profit and loss account.”,

(b) for paragraph 26(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 27 and 28 substitute—

#### **“Intangible assets**

**27.—(1)** Where this is in accordance with generally accepted accounting principles or practice, development costs may be included under assets item 9 in the balance sheet format.

(2) If any amount is included in a company’s balance sheet in respect of development costs, the note on accounting policies (see paragraph 53 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.

**28.—(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 directors of the company.

(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 35(1), add the words “and then subtracting any incidental reductions in the cost of acquisition”, and

(e) for the words “similar to any of the methods mentioned above” in sub-paragraph (2)(d) of paragraph 36, substitute “reflecting generally accepted best practice”.

(4) In Section C (alternative accounting rules)—

(a) omit sub-paragraph (4) of paragraph 40,

(b) in paragraph 42(2), for the words “a note to the accounts”, substitute “the note on accounting policies (see paragraph 53 of this Schedule)”.

- (c) for paragraph 42(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
- (d) in paragraph 43(2), omit the words “but need not be shown under that name”.
- (5) In Section D (fair value accounting)—
  - (a) for paragraph 44(4), 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 47, substitute—

**“Other assets that may be included at fair value**

**47.—**(1) This paragraph applies to—

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

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

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

**Amendment of Part 3 (notes to the accounts) of Schedule 2 to the Large and Medium-sized Companies Accounts Regulations**

**33.—**(1) Part 3 of Schedule 2 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

- (2) For paragraph 52, substitute—

**“Preliminary**

**52.—**(1) Any information required in the case of a company 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.”.

- (3) For paragraph 66, substitute—

**“Information about fair value of assets and liabilities**

**66.—**(1) This paragraph applies where financial instruments or other assets have been valued in accordance with, as appropriate, paragraph 44, 46 or 47.

(2) There must be stated—

- (a) the significant assumptions underlying the valuation models and techniques used to determine the fair value of the financial 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.”.
- (4) In paragraph 70(2), insert “in tabular form” after the words “in the same item”.
- (5) For paragraph 77, substitute—

**“Guarantees and other financial commitments**

- 77.—(1) Particulars and the total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet must be disclosed.
- (2) An indication of the nature and form of any valuable security given by the company 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) Particulars must be given of pension commitments which are included in the balance sheet.
  - (5) Where any commitment within sub-paragraph (3) or (4) relates wholly or partly to pensions payable to past directors of the company separate particulars must be given of that commitment.
  - (6) The total amount of any commitments, guarantees and contingencies within sub-paragraph (1) which are undertaken on behalf of or for the benefit of—
    - (a) any parent undertaking or fellow subsidiary undertaking of the company,
    - (b) any subsidiary undertaking of the company, or
    - (c) any undertaking in which the company has a participating interestmust 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.
  - (7) There must be disclosed the nature and amount of any contingent liabilities and commitments included in Memorandum items 1 and 2 which are material in relation to the company’s activities
- (6) For sub-paragraph (2) of paragraph 91 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.”.
- (7) After paragraph 92, insert—

**“Post balance sheet events**

**92A.** The nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account of balance sheet must be stated.

**Appropriations**

**92B.** 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.”.

(8) In paragraph 96(1), for “78/660/EEC on the annual accounts of certain types of companies”, substitute “2013/34/EU on the annual financial statements etc of certain types of undertaking”.

**Amendment of Part 1 (general rules and formats) of Schedule 3 to the Large and Medium-sized Companies Accounts Regulations**

**34.**—(1) Part 1 of Schedule 3 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) After paragraph 8, insert—

“**8A.** 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.”

**Amendment of Part 2 (accounting principles and rules) of Schedule 3 to the Large and Medium-sized Companies Accounts Regulations**

**35.**—(1) Part 2 of Schedule 3 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) In Section A (accounting principles)—

(a) at paragraph 17, after the word “policies”, insert “and measurement bases”.

(b) at paragraph 18—

(i) omit the word “and” at the end of sub-paragraph (a),

(ii) insert the word “and” at the end of sub-paragraph (b),

(iii) insert the following sub-paragraph after sub-paragraph (b)—

“(c) all provisions for diminution of value must be recognised, whether the result of the financial year is a profit or a loss.”, and

(c) after paragraph 20, insert—

“**20A.** The opening balance sheet for each financial year shall correspond to the closing balance sheet for the preceding financial year.”.

(3) In Section C (valuation at fair value)—

(a) for paragraph 30(4), 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 33, substitute—

**“Other assets that may be included at fair value**

**33.**—(1) This paragraph applies to—

(a) investment property, and

(b) living animals and plants.



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

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

(4) In Section D (historical cost accounting rules)—

(a) for paragraphs 41 and 42, substitute—

**“Intangible assets**

**41.—**(1) Where this is in accordance with generally accepted accounting principles or practice, development costs may be included under assets item B (intangible assets) in the balance sheet format.

(2) If any amount is included in a company’s balance sheet in respect of development costs, the note on accounting policies (see paragraph 61 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.

**42.—**(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 directors of the company.

(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.”,

(b) at the end of paragraph 45(1), add the words “and then subtracting any incidental reductions in the cost of acquisition”, and

(c) for the words “similar to any of the methods mentioned above” in sub-paragraph (2)(d) of paragraph 46, substitute “reflecting generally accepted best practice”.

**Amendment of Part 3 (notes to the accounts) of Schedule 3 to the Large and Medium-sized Companies Accounts Regulations**

**36.—**(1) Part 3 of Schedule 3 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) For paragraph 60, substitute—

**“Preliminary**

**60.—**(1) Any information required in the case of a company 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.”.

(3) For paragraph 73, substitute—

**“Information about fair value of assets and liabilities**

**73.**—(1) This paragraph applies where financial instruments or other assets have been valued in accordance with, as appropriate, paragraph 30, 32 or 33.

(2) There must be stated—

- (a) the significant assumptions underlying the valuation models and techniques used to determine the fair value of the financial instruments or other assets,
- (b) in the case of financial instruments, their purchase price, the items affected and the basis of valuation,
- (c) 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.”.

(4) For paragraph 81, substitute—

**“Guarantees and other financial commitments**

**81.**—(1) Particulars must be given of any charge on the assets of the company 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 (excluding those which arise out of insurance contracts) 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 company 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 directors of the company 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 company,
- (b) any subsidiary undertaking of the company, or
- (c) any undertaking in which the company 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.”

(5) For paragraph 89(2) and (3), 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.”

(6) After paragraph 90, insert—

**“Post balance sheet events**

**90A.** The nature and financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account of balance sheet must be stated.

**Appropriations**

**90B.** 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 of Part 1 (provisions applying to all companies) of Schedule 4 to the Large and Medium-sized Companies Accounts Regulations**

**37.**—(1) Part 1 of Schedule 4 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) For sub-paragraph (a) of paragraph 1(3), substitute—

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

(3) For sub-paragraph (a) of paragraph 5(2), substitute—

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

(4) In paragraph 7—

(a) in sub-paragraph (1), for the words “a qualifying undertaking”, substitute “an undertaking having unlimited liability”,

(b) omit sub-paragraph (6),

(c) in sub-paragraph (7), omit the definition of “qualifying undertaking”,

(d) omit sub-paragraph(8),

(e) omit sub-paragraph (9), and

(f) omit sub-paragraph (10).

(5) For sub-paragraph (a) of paragraph 8(3), substitute—

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

**Amendment of Part 3 (companies required to prepare group accounts) of Schedule 4 to the Large and Medium-sized Companies Accounts Regulations**

**38.**—(1) Part 3 of Schedule 4 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

(2) For sub-paragraph (a) of paragraph 18(1), substitute—

- “(a) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”.
- (3) For paragraph (b) of paragraph 19(3), substitute—
- “(b) the address of the undertaking’s registered office (whether in or outside the United Kingdom),”.
- (4) In paragraph 21 (group’s membership of certain undertakings), for the words “a qualifying undertaking”, substitute “an undertaking having unlimited liability”.

### **Amendment of Schedule 6 (Companies Act group accounts) to the Large and Medium-sized Companies Accounts Regulations**

**39.**—(1) Schedule 6 to the Large and Medium-sized Companies Accounts Regulations is amended as follows.

- (2) After paragraph 2(1) insert—
- “(1A) Group accounts must be drawn up as at the same date as the accounts of the parent company.”
- (3) After paragraph 9(5) 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.”
- (4) For paragraph 10, substitute—
- “**10.** The conditions for accounting for an acquisition as a merger are—
- (a) that the undertaking whose shares are acquired is ultimately controlled by the same party both before and after the acquisition,
- (b) that the control referred to in paragraph (a) is not transitory, and
- (c) that adoption of the merger method accords with generally accepted accounting principles or practice.”
- (5) After paragraph 16, 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—
- (a) the address of the registered office of the undertaking acquired (whether in or outside the United Kingdom),
- (b) the name of the party referred to in paragraph 10(a),
- (c) the address of the registered office of that party (whether in or outside the United Kingdom), and
- (d) the information referred to in paragraph 11(6).”
- (6) For paragraph 17, 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 company 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 company and its subsidiary undertakings.

(4) For the purposes 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.”

(7) In paragraph 18(2), insert the words “and sections 402 and 405 of the 2006 Act” after the words “consolidated accounts”.

(8) After paragraph 18(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.”

(9) In paragraph 20(3)—

- (a) at the end of sub-paragraph (a), insert the word “and”, and
- (b) omit sub-paragraphs (c) and (d).

(10) After paragraph 22, insert—

**“Total amount of directors’ remuneration etc**

**22A.** Paragraph 1 of Schedule 5 to these Regulations applies to group accounts with the modification that only the amounts and values referred to in that paragraph received or receivable by the directors of the parent company from the parent company and any of its subsidiary undertakings must be disclosed in the notes to the accounts.

**Deferred tax balances**

**22B.** 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.”

(11) After paragraph 24, insert—

“**24A.** In paragraph 9 of this Schedule, the reference in sub-paragraph (6) to Schedule 1 is to these Regulations is to be construed as a reference to Schedule 2.”

(12) For paragraph 25, substitute—

**“Non-controlling interests and associated undertakings**

**25.—(1)** This paragraph adapts paragraphs 17 and 20 (which require items in respect of “non-controlling interests” and associated undertakings to be added to the formats set out in Schedule 1 to these Regulations) to the formats prescribed by Schedule 2 to these Regulations.

(2) In paragraph 17—

- (a) in sub-paragraph (1), for the reference to Schedule 1 to these Regulations, substitute a reference to Schedule 2,

- (b) sub-paragraph (3) is to apply as if the reference to “a separate item” were a reference to “separate items” and the reference to “the amount of any profit or loss” were a reference to the following—
    - (i) the amount of any profit or loss on ordinary activities, and
    - (ii) the amount of any profit or loss on extraordinary activities, and
  - (c) sub-paragraph (4) is not to apply, but for the purposes of paragraph 5(1) of Part 1 of Schedule 2 to these Regulations (power to combine items) the additional items required by the foregoing provisions of this paragraph are to be treated as items to which a letter is assigned.
- (3) Paragraph 20(2) is to apply with respect to a balance sheet prepared under Schedule 2 to these Regulations as if it required assets item 7 (participating interests) in the balance sheet format to be replaced by the two replacement items referred to in that paragraph.
- (4) Paragraph 20(3) is not to apply, but the following items in the profit and loss account formats—
- (a) format 1 item 3(b) (income from participating interests),
  - (b) format 2 item B2(b) (income from participating interests),
- are replaced by the following—
- (i) “Income from participating interests other than associated undertakings”, to be shown at position 3(b) in format 1 and position B2(b) in format 2, and
  - (ii) “Income from associated undertakings”, to be shown at an appropriate position.”.
- (13) After paragraph 35, insert—
- “**35A.** In paragraph 9 of this Schedule, the reference in sub-paragraph (6) to Schedule 1 to these Regulations is to be construed as a reference to Schedule 3 to these Regulations.”.
- (14) For paragraph 36, substitute—

**“Non-controlling interests**

**36.** In paragraph 17—

- (a) in sub-paragraph (1), for the reference to Schedule 1 to these Regulations, substitute a reference to Schedule 3,
- (b) sub-paragraph (3) is to apply as if the reference to “a separate item” were a reference to “separate items” and as if the reference to “the amount of any profit or loss” were a reference to the following—
  - (i) the amount of any profit or loss on ordinary activities, and
  - (ii) the amount of any profit or loss on extraordinary activities, and
- (c) for sub-paragraph (4), substitute—
 

“(4) Paragraph 3(1) of Schedule 3 to these Regulations (power to combine items) does not apply in relation to the additional items required by the above provisions of this paragraph.”.

**Amendment of Schedule 9 (interpretation of term “provisions”) to the Large and Medium-sized Companies Accounts Regulations**

- 40.** After paragraph 2 of Schedule 9 to the Large and Medium-sized Companies Accounts Regulations, insert—

“**2A.** 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.

**2B.** Provisions must not be used to adjust the value of assets.”

### **Amendment of Schedule 10 (general interpretation) to the Large and Medium-sized Companies Accounts Regulations**

**41.** In Paragraph 3(1), substitute—

“(1) Save in Schedule 2 to these Regulations, the expressions listed in sub-paragraph (2) have the same meaning as they have in [Directive 2013/34/EC](#) of the European Parliament and of the Council of 26 June 2013 on the annual financial statements etc of certain types of undertakings and Council [Directive 91/674/EEC](#) of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (for banking companies, see the definition in paragraph 96 of Schedule 2 to these Regulations).”

## **PART 5**

### **Amendment of The Partnership (Accounts) Regulations 2008**

**42.—**(1) The Partnership (Accounts) Regulations 2008(**34**) are amended as follows.

(2) In paragraph (1) of regulation 2 (interpretation)—

(a) before the definition of “the accounts”, insert—

““the Accounting Directive” means [Directive 2013/34/EU](#) of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial reports of certain types of undertakings,”

(b) omit the definition of “the Fourth Directive”, and

(c) omit the definition of “the Seventh Directive”.

(3) In paragraph (2)(b) of regulation 5 (delivery of accounts of qualifying partnerships to registrar etc), for the words “the Fourth or Seventh Directive”, substitute “the Accounting Directive”.

(4) In paragraph (2)(a) of regulation 7 (exemptions from regulations 4 to 6 where accounts consolidated), for the words “the Seventh Directive”, substitute “the Accounting Directive”.

(5) In paragraph 2 of Part 1 (modifications and adaptations for purposes of regulation 4) of the Schedule—

(a) for sub-paragraph (1)(c), substitute—

“(c) in Part 3 of Schedule 1, paragraph 49,”

(b) omit sub-paragraph (d), and

(c) omit sub-paragraph (e).

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(34) [S.I. 2008/569](#), to which there are amendments not relevant to these Regulations.

## PART 6

### Minor and Consequential Amendments

**43.**—(1) The Companies (Revision of Defective Accounts and Reports) Regulations 2008<sup>(35)</sup> are amended as follows.

(2) In regulation 2(1), in the definition of “original” omit the words from “and” to the end.

(3) Omit regulations 15 and 16.

**44.** Omit sub-paragraphs (14) and (15) of paragraph 10 of Schedule 1 to the Unregistered Companies Regulations 2009<sup>(36)</sup>.

*Jo Swinson*

Parliamentary Under-Secretary of State for  
Employment Relations and Consumer Affairs  
Department for Business, Innovation and Skills

26th March 2015

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<sup>(35)</sup> S.I. 2008/373, amended by S.I. 2013/2224.

<sup>(36)</sup> S.I. 2009/2436, to which there are amendments not relevant to these Regulations.



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## EXPLANATORY NOTE

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

These Regulations amend the law relating to the preparation of the annual accounts of companies (and partnerships all of whose members have limited liability) and related matters such as the filing of such accounts. They extend to the whole of the United Kingdom.

These Regulations implement obligations in Directive 2013/34/EU (“the Directive”) 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 L 182, 29.6.2013, p. 19). UK law is changed to the extent that amendments are required by the Directive.

Part 1 of the Regulations contains introductory matters and these include the application of the Regulations. The Regulations apply in respect of financial years beginning on or after 1st January 2016, but a company may instead 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 this is desired (regulation 2).

Part 2 of the Regulations amends the Companies Act 2006 (“the Act”). Regulation 4(3) and (4) raises the thresholds which determine when a company or group qualifies as “small” for the purposes of certain accounting and reporting exemptions, and for exemption from audit. Regulation 4(5)(b) substitutes a new section 384(2)(a) with the effect that a company that is a member of a group of companies one or more of which is admitted to trading on an EEA regulated market (such as the London Stock Exchange) does not qualify as “small”. The former section 384(2)(a) had the effect that a company that was a member of a group of companies one or more of which was a public company did not qualify as “small”.

Regulation 5(6), (7) and (8) makes changes to the law in connection with the preparation by a parent of group accounts and the exemptions from that obligation. One such change is to provide that a parent company need not prepare group accounts if the only reason why it does not qualify as “small” is because it is a public company, provided that it is not a company admitted to trading on a regulated EEA market. Other changes to the law concern the exemptions from a parent company’s obligation to prepare group accounts where that parent is itself included in the group accounts of a larger group.

Regulation 5(13) repeals section 410 of the Act with the effect that it will no longer be possible for a company to disclose relevant information about related companies (for instance, its subsidiaries) in its annual return – such information (where required) will have to be disclosed in the annual accounts. Regulation 5(14), (15) and (16) makes changes to sections 410A, 411 and 413 of the Act as regards the information which, generally speaking, companies must provide in their annual accounts concerning “off-balance sheet arrangements”, employee numbers and costs, and directors’ benefits.

Regulation 7 has the effect that small companies which qualify as “micro-entities” (see section 384A) are no longer required to prepare directors’ reports. Regulation 8(3) amends section 444 of the Act, which section concerns the filing obligations of small companies. Key changes here reflect the fact that a small company 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 shareholders – instead a small company will 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 shareholders.

Regulation 9(2) and (3) raises the thresholds which determine when a company or group qualifies as “medium-sized” for the purposes of certain accounting and reporting exemptions. Regulation 11 substitutes new sections 496 and 497A of the Act. The substituted sections contain more detailed requirements than the current sections as to the content of an auditor’s report on a company’s non-financial reports – strategic reports, director’s reports and (where applicable), separate corporate governance statements.

Part 3 of the Regulations amends the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (S.I. 2008/409). Regulation 16 makes various changes to Part 1 of Schedule 1 to S.I. 2008/409 and these include allowing companies 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” companies to adapt the prescribed formats if conditions are satisfied. Regulation 16 also makes changes to the prescribed formats.

Regulation 17 amends Part 2 of Schedule 1 to S.I. 2008/409 concerning accounting principles and rules applicable to the annual accounts of “small” companies. The changes are largely minor and/or technical. Regulation 18 amends Part 3 of Schedule 1 to S.I. 2008/409 and the effect is greatly to reduce the number of notes to the annual accounts of “small companies”. Regulations 19 and 20 revoke Schedules 2 and 3 respectively to S.I. 2008/409. Regulations 18 to 20 reflect Article 16.3 of the Directive pursuant to which the information which Member State can compel “small” companies to provide in their accounts is limited. Regulation 21 revokes Schedule 4 to S.I. 2008/409 to reflect the fact that “small” companies are no longer permitted to file accounts which are different to those which they prepare and send to their shareholders. Regulations 21 and 22 amend Schedule 6 to S.I. 2008/409 concerning the accounts of a “small” group.

Part 4 of the Regulations amends the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410). Regulation 27 makes various changes to Part 1 of Schedule 1 to S.I. 2008/410. These include allowing such companies to adapt the prescribed balance sheet and profit and loss account formats set out in Schedule 1 and changes to the prescribed formats. Regulation 28 amends Part 2 of Schedule 1 to S.I. 2008/410 concerning accounting principles and rules applicable to “medium-sized” and “large” companies. These are largely minor and/or technical and mirror the changes being made to Part 2 of Schedule 1 to S.I. 2008/409.

Regulation 29 amends Part 3 of Schedule 1 to S.I. 2008/410. The effect is to make some largely minor amendments to the law relating to the notes to the annual accounts of these companies. Regulations 32 and 33 make parallel provision to regulations 28 and 29 respectively as regards “banking companies”, and regulations 35 and 36 make similar provision in the case of “insurance companies”. Regulations 37 and 38 amend Schedule 4 to S.I. 2008/410 which schedule concerns the information which all companies to which S.I. 2008/410 applies must provide in their annual accounts as regards “related undertakings” (including subsidiaries). Regulation 37(4) amends paragraph 7 to this Schedule with these companies must provide information regarding their membership of undertakings which have unlimited liability. Regulation 39 amends Schedule 6 to S.I. 2008/410 as regards the accounts of “medium-sized” and “large” groups.

Part 5 of the Regulations amends the Partnership (Accounts) Regulations 2008 (S.I. 2008/569). S.I. 2008/569 applies, with modifications and omissions, Parts 15 and 16 of the Act and S.I. 2008/409 and 2008/410 to “qualifying partnerships”, essentially partnerships all of whose members have limited liability. Part 5 of the Regulations makes a small number of minor amendments to S.I. 2008/569 as a consequence of the Directive and changes being made to S.I. 2008/409 by regulations 18, 19 and 20 of the Regulations.

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 at [www.gov.uk/bis](http://www.gov.uk/bis) and is annexed to the Explanatory Memorandum which is available alongside the instrument on [www.legislation.gov.uk](http://www.legislation.gov.uk).

