

2004 No. 190

COMPANIES

Companies (1986 Order) (Accounts of Small and Medium-Sized Enterprises and Audit Exemption) (Amendment) Regulations (Northern Ireland) 2004

Made - - - - - *26th April 2004*

Coming into operation *26th May 2004*

The Department of Enterprise, Trade and Investment^(a) in exercise of the powers conferred on it by Article 265 of the Companies (Northern Ireland) Order 1986^(b) and of every other power enabling it in that behalf, hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Companies (1986 Order) (Accounts of Small and Medium-Sized Enterprises and Audit Exemption) (Amendment) Regulations (Northern Ireland) 2004 and shall come into operation on 26th May 2004 (“the commencement date”).

(2) In these Regulations “the 1986 Order” means the Companies (Northern Ireland) Order 1986.

Accounts of small and medium-sized companies

2.—(1) The table in Article 255(3) of the 1986 Order (qualification of company as small or medium-sized)^(c) is amended as follows.

(2) Under the heading “*Small company*” –

(a) for “Not more than £2·8 million” (turnover) substitute “Not more than £5·6 million”;
and

(b) for “Not more than £1·4 million” (balance sheet total) substitute “Not more than £2·8 million”.

(3) Under the heading “*Medium-sized company*” –

(a) for “Not more than £11·2 million” (turnover) substitute “Not more than £22·8 million”;
and

(b) for “Not more than £5·6 million” (balance sheet total) substitute “Not more than £11·4 million”.

(a) Formerly the Department of Economic Development; *see* S.I. 1999/283 (N.I. 1) Article 3(5)

(b) S.I. 1986/1032 (N.I. 6); Article 265 was inserted into the 1986 Order in place of an existing Article of that number by Article 22 of the Companies (Northern Ireland) Order 1990, (S.I. 1990/593 (N.I. 5))

(c) Article 255 was inserted into the 1986 Order in place of an existing Article of that number by Article 15(1) of the Companies (Northern Ireland) Order 1990 and was amended by regulation 4 of S.R. 1992 No. 503, by regulation 7 of S.R. 1997 No. 314 and by regulation 7(2) of S.R. 1997 No. 436

Accounts of small and medium-sized groups

3.—(1) The table in Article 257(3) of the 1986 Order (qualification of group as small or medium-sized)(a) is amended as follows.

(2) Under the heading “Small group” –

(a) for “Not more than £2.8 million net (or £3.36 million gross)” (aggregate turnover) substitute “Not more than £5.6 million net (or £6.72 million gross)”; and

(b) for “Not more than £1.4 million net (or £1.68 million gross)” (aggregate balance sheet total) substitute “Not more than £2.8 million net (or £3.36 million gross)”.

(3) Under the heading “Medium-sized group” –

(a) for “Not more than £11.2 million net (or £13.44 million gross)” (aggregate turnover) substitute “Not more than £22.8 million net (or £27.36 million gross)”; and

(b) for “Not more than £5.6 million net (or £6.72 million gross)” (aggregate balance sheet total) substitute “Not more than £11.4 million net (or £13.68 million gross)”.

Audit Exemption

4.—(1) Article 257A of the 1986 Order (exemptions from audit for certain categories of small company)(b) is amended as follows.

(2) In paragraphs (3)(b) and (3A)(b), for “£1 million” substitute “£5.6 million”.

(3) In paragraph (3)(c), for “£1.4 million” substitute “£2.8 million”.

Cases where exemption from audit not available

5.—(1) Article 257B of the 1986 Order (cases where exemption from audit not available)(c) is amended as follows.

(2) In paragraph (1C)(b), for “not more than £1 million net (or £1.2 million gross)” substitute “not more than £5.6 million net (or £6.72 million gross)”.

(3) In paragraph (1C)(c), for “not more than £1.4 million net (or £1.68 million gross)” substitute “not more than £2.8 million net (or £3.36 million gross)”.

The reporting accountant

6.—(1) Article 257D(4) of the 1986 Order (bodies referred to in the definition of reporting accountant)(d) is amended as follows.

(2) Omit “and” at the end of sub-paragraph (d).

(3) After sub-paragraph (e) insert

“, and

(f) the Institute of Chartered Secretaries and Administrators.”.

Transitional provisions

7.—(1) Regulations 2 and 3 shall have effect in relation to financial years ending on or after the commencement date.

(2) For the purposes of determining whether a company or group qualifies, or is treated as qualifying, as small or medium-sized under Article 255 or 257 of the 1986 Order in relation to a financial year ending on or after the commencement date, the company or group shall be

(a) Article 257 was inserted into the 1986 Order by Article 15(3) of the Companies (Northern Ireland) Order 1990 and was amended by regulation 5 of S.R. 1992 No. 503

(b) Article 257A was inserted into the 1986 Order by regulation 2 of S.R. 1995 No. 128, and amended by regulation 2 of S.R. 1997 No. 500 and regulation 2 of S.R. 2001 No. 153

(c) Article 257B was inserted into the 1986 Order by regulation 2 of S.R. 1995 No. 128, and amended by regulation 9 of S.R. 1997 No. 314, regulation 3 of S.R. 1997 No. 500, regulation 4 of S.R. 2001 No. 153; Article 4(3) of S.I. 2001/1283 and Article 54 of S.I. 2001/3649

(d) Article 257D was inserted into the 1986 Order by regulation 2 of S.R. 1995 No. 128, and amended by regulation 4 of S.R. 1997 No. 500

treated as having qualified as small or medium-sized (as the case may be) in any previous financial year in which it would have so qualified, or have been treated as so qualifying, under Article 255 or 257 as amended by regulations 2 and 3.

(3) In paragraphs (1) and (2) references to financial years ending on or after the commencement date do not include financial years which only end on or after that date by reason of an exercise of the power conferred by Article 233 of the 1986 Order^(a) (alteration of accounting reference date) by the giving of a notice to the registrar on or after the date on which these Regulations are made.

(4) Regulations 4 and 5 shall have effect in relation to financial years ending two months or more after the commencement date.

(5) Regulation 6 shall have effect in relation to financial years ending on or after the commencement date.

Sealed with the Official Seal of the Department of Enterprise, Trade and Investment on 26th April 2004.

(L.S.)

M. Bohill

A senior officer of the Department of Enterprise, Trade and Investment

^(a) Article 233 was inserted into the 1986 Order by Article 5 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number and amended by regulation 3 of S.R. 1997 No. 314

EXPLANATORY NOTE

(This note is not part of the Regulations.)

1. These Regulations implement Council Directive 2003/38/EC of 13th May 2003 amending Directive 78/660/EEC on the annual accounts of certain types of companies as regards amounts expressed in euro (O.J. No. L120, 15.05.2003, pages 22 to 23). The Regulations take further advantage of existing Member State options on annual accounts and audit exemption in Council Directive 78/660/EEC of 25th July 1978 on the annual accounts of certain types of companies as amended (O.J. No. L222, 14.8.1978, pages 11 to 31) and existing Member State options on consolidated annual accounts in the Seventh Council Directive 83/349/EEC of 13th June 1983 on consolidated accounts as amended (O.J. No. L193, 18.07.1983, pages 1 to 17).

2. Regulations 2 and 3 raise the thresholds contained in Articles 255 and 257 of the Companies (Northern Ireland) Order 1986 (“the 1986 Order”) for the exemptions applicable to small and medium-sized companies and groups. The turnover limit is increased from £2.8 million to £5.6 million for small companies and the balance sheet total is increased from £1.4 million to £2.8 million for small companies. The turnover limit is increased from £11.2 million to £22.8 million for medium-sized companies and the balance sheet total is increased from £5.6 million to £11.4 million for medium-sized companies. The aggregate turnover limit for small groups is increased from £2.8 million net (or £3.36 million gross) to £5.6 million net (or £6.72 million gross) and the aggregate balance sheet total limit for small groups is increased from £1.4 million net (or £1.68 million gross) to £2.8 million net (or £3.36 million gross). The aggregate turnover limit for medium-sized groups is increased from £11.2 million net (or £13.44 million gross) to £22.8 million net (or £27.36 million gross) and the aggregate balance sheet total limit for medium-sized groups is increased from £5.6 million net (or £6.72 million gross) to £11.4 million net (or £13.68 million gross). The thresholds for small and medium-sized companies are also relevant for the purposes of expenditure of small or medium-sized enterprises under sections 47 and 48 of the Capital Allowances Act 2001 (c. 2).

3. Regulation 4 increases the turnover limit in Article 257A(3)(b) and balance sheet total in Article 257A(3)(c) of the 1986 Order which a small company other than a small charitable company must not exceed in respect of a financial year if it is to be exempt from audit. The turnover limit is increased from £1 million to £5.6 million (for small charitable companies the gross income limit remains at £90,000). The balance sheet total is increased from £1.4 million to £2.8 million.

4. A company which would otherwise be disqualified from claiming exemption from audit under Article 257A for a financial year because it was a parent company or subsidiary undertaking for any period in that year, may nevertheless claim the exemption if it is a member of a small group which satisfies the conditions specified in Article 257B(1C). Regulation 5 increases the turnover limit for a group to qualify as a small group for the purposes of Article 257B(1C) of the 1986 Order from £1 million net (£1.2 million gross) to £5.6 million net (£6.72 million gross) (the limit as it applies for small charitable companies remains unchanged). Regulation 5 increases the aggregate balance sheet total for a group to qualify as a small group for the purposes of Article 257B(1C) from £1.4 million net (£1.68 million gross) to £2.8 million net (£3.36 million gross).

5. Regulation 6 further amends Article 257D of the 1986 Order, as inserted by the Companies (1986 Order) (Audit Exemption) Regulations (Northern Ireland) 1995, by adding to the bodies listed in Article 257D(4) the Institute of Chartered Secretaries and Administrators. Article 257D specifies those accountants who are entitled to act as reporting accountants for companies which are charities within Article 257A(2).

6. Regulation 7 contains transitional provisions. Regulation 7(1) provides for regulations 2 and 3 to have effect in relation to financial years ending on or after the commencement date. Regulation 7(2) makes transitional provision to enable companies to take early advantage of the new thresholds for small and medium-sized companies. Regulation 7(3) provides that

references to financial years ending on or after the commencement date in paragraphs (1) and (2) of regulation 7 do not include financial years which only end on or after that date by reason of an exercise of the power conferred by Article 233 of the 1986 Order (alteration of accounting reference date) by the giving of a notice to the registrar on or after the date on which these Regulations are made. Regulation 7(4) provides for regulations 4 and 5 to have effect in relation to financial years ending two months or more after the commencement date. Regulation 7(5) provides for regulation 6 to have effect in relation to financial years ending on or after the commencement date.

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