

2004 No. 496

COMPANIES

The Companies (1986 Order) (International Accounting Standards and Other Accounting Amendments) Regulations (Northern Ireland) 2004

Made - - - - - 2nd December 2004

Coming into operation 31st December 2004

To be laid before Parliament under paragraph 7(3) of the Schedule to the Northern Ireland Act 2000

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 all other powers enabling it in that behalf, hereby makes the following Regulations:

**PART 1
GENERAL**

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Companies (1986 Order) (International Accounting Standards and Other Accounting Amendments) Regulations (Northern Ireland) 2004.

(2) These Regulations come into operation on 31st December 2004, and have effect as respects companies' financial years which begin on or after 1st January 2005.

(3) In these Regulations, "1986 Order" means the Companies (Northern Ireland) Order 1986.

**PART 2
ACCOUNTS PREPARED IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARDS**

Preparation of individual and group accounts in accordance with IAS Regulation

2. For Articles 234 and 235 of the 1986 Order (duty to prepare individual and group accounts)(c) substitute –

(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 by Article 22 of the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I. 5)) in place of an existing Article of that number
(c) Article 234 was inserted into the 1986 Order by Article 6 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and Article 235 by Article 7 of that Order

“Duty to prepare individual accounts

234.—(1) The directors of every company shall prepare accounts for the company for each of its financial years.

Those accounts are referred to in this Part as the company’s “individual accounts”.

- (2) A company’s individual accounts may be prepared –
 - (a) in accordance with Article 234A (“Companies Order individual accounts”), or
 - (b) in accordance with international accounting standards (“IAS individual accounts”).

This paragraph is subject to the following provisions of this Article and Article 235C.

(3) The individual accounts of a company that is a charity must be Companies Order individual accounts.

(4) After the first financial year in which the directors of a company prepare IAS individual accounts (“the first IAS year”), all subsequent individual accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance.

(5) There is a relevant change of circumstance if, at any time during or after the first IAS year –

- (a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS individual accounts,
- (b) the company ceases to be a company with securities admitted to trading on a regulated market, or
- (c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market.

In this paragraph “regulated market” has the same meaning as it has in Council Directive 93/22/EEC on investment services in the securities field(a).

(6) If, having changed to preparing Companies Order individual accounts following a relevant change of circumstance, the directors again prepare IAS individual accounts for the company, paragraphs (4) and (5) apply again as if the first financial year for which such accounts are again prepared were the first IAS year.

Companies Order individual accounts

234A.—(1) Companies Order individual accounts must comprise –

- (a) a balance sheet as at the last day of the financial year, and
- (b) a profit and loss account.

(2) The balance sheet must give a true and fair view of the state of affairs of the company as at the end of the financial year; and the profit and loss account must give a true and fair view of the profit or loss of the company for the financial year.

(3) Companies Order individual accounts must comply with the provisions of Schedule 4 as to the form and content of the balance sheet and profit and loss account and additional information to be provided by way of notes to the accounts.

(4) Where compliance with the provisions of that Schedule, and the other provisions of this Order as to the matters to be included in a company’s individual accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information must be given in the accounts or in a note to them.

(5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors must depart from that provision to the extent necessary to give a true and fair view.

(6) Particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

(a) O.J. No. L141 of 11.6.1993 page 27, as last amended by Directive 2000/64/EEC of the European Parliament and of the Council (O.J. No. L290 of 17.11.2000, page 27)

IAS individual accounts

234B. Where the directors of a company prepare IAS individual accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

Duty to prepare group accounts

235.—(1) If at the end of a financial year a company is a parent company the directors, as well as preparing individual accounts for the year, shall prepare consolidated accounts for the group for the year. Those accounts are referred to in this Part as the company's "group accounts".

(2) The group accounts of certain companies are required by Article 4 of the IAS Regulation to be prepared in accordance with international accounting standards ("IAS group accounts").

(3) The group accounts of other companies may be prepared –

(a) in accordance with Article 235A ("Companies Order group accounts"), or

(b) in accordance with international accounting standards ("IAS group accounts").

This paragraph is subject to the following provisions of this Article.

(4) The group accounts of a parent company that is a charity must be Companies Order group accounts.

(5) After the first financial year in which the directors of a parent company prepare IAS group accounts ("the first IAS year"), all subsequent group accounts of the company must be prepared in accordance with international accounting standards unless there is a relevant change of circumstance.

(6) There is a relevant change of circumstance if, at any time during or after the first IAS year –

(a) the company becomes a subsidiary undertaking of another undertaking that does not prepare IAS group accounts,

(b) the company ceases to be a company with securities admitted to trading on a regulated market, or

(c) a parent undertaking of the company ceases to be an undertaking with securities admitted to trading on a regulated market.

In this paragraph "regulated market" has the same meaning as it has in Council Directive 93/22/EEC on investment services in the securities field.

(7) If, having changed to preparing Companies Order group accounts following a relevant change of circumstance, the directors again prepare IAS group accounts for the company, paragraphs (5) and (6) apply again as if the first financial year for which such accounts are again prepared were the first IAS year.

(8) This Article is subject to the exemptions provided by Articles 236, 236A, 237(5) and 256.

Companies Order group accounts

235A.—(1) Companies Order group accounts must comprise –

(a) a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings, and

(b) a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings.

(2) The accounts must give a true and fair view of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

(3) Companies Order group accounts must comply with the provisions of Schedule 4A as to the form and content of the consolidated balance sheet and consolidated profit and loss account and additional information to be provided by way of notes to the accounts.

(4) Where compliance with the provisions of that Schedule, and the other provisions of this Order as to the matters to be included in a company's group accounts or in notes to those accounts, would not be sufficient to give a true and fair view, the necessary additional information must be given in the accounts or in a note to them.

(5) If in special circumstances compliance with any of those provisions is inconsistent with the requirement to give a true and fair view, the directors must depart from that provision to the extent necessary to give a true and fair view.

(6) Particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

IAS group accounts

235B. Where the directors of a parent company prepare IAS group accounts, they must state in the notes to those accounts that the accounts have been prepared in accordance with international accounting standards.

Consistency of accounts

235C.—(1) Subject to the following provisions of this Article, the directors of a parent company must secure that the individual accounts of –

- (a) the parent company, and
- (b) each of its subsidiary undertakings,

are all prepared using the same financial reporting framework, except to the extent that in their opinion there are good reasons for not doing so.

(2) Paragraph (1) does not apply if the directors do not prepare group accounts for the parent company.

(3) Paragraph (1) only applies to accounts of subsidiary undertakings that are required to be prepared under this Part.

(4) Paragraph (1) does not require accounts of undertakings that are charities to be prepared using the same financial reporting framework as accounts of undertakings which are not charities.

(5) Paragraph (1)(a) does not apply where the directors of a parent company prepare IAS group accounts and IAS individual accounts.”.

Consequential amendments

3. Schedule 1 (IAS accounts: consequential amendments to the 1986 Order) has effect.

PART 3

OTHER MODIFICATIONS OF PROVISIONS RELATING TO ACCOUNTS

Exemption for parent companies included in accounts of larger non-EEA group

4. After Article 236 of the 1986 Order (exemption for parent companies included in accounts of larger groups) insert the following –

“Exemption for parent companies included in non-EEA group accounts

236A.—(1) A company is exempt from the requirement to prepare group accounts if it is itself a subsidiary undertaking and its parent undertaking is not established under the law of an EEA State, in the following cases –

- (a) where the company is a wholly-owned subsidiary of that parent undertaking;

- (b) where that parent undertaking holds more than 50 per cent of the shares in the company and notice requesting the preparation of group accounts has not been served on the company by shareholders holding in aggregate –
 - (i) more than half of the remaining shares in the company, or
 - (ii) 5 per cent of the total shares in the company.

Such notice must be served not later than six months after the end of the financial year before that to which it relates.

- (2) Exemption is conditional upon compliance with all of the following conditions –
 - (a) that the company and all of its subsidiary undertakings are included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking;
 - (b) that those accounts and, where appropriate, the group’s annual report, are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) (where applicable as modified by the provisions of the Bank Accounts Directive (86/635/EEC) or the Insurance Accounts Directive (91/674/EEC)), or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up;
 - (c) that the consolidated accounts are audited by one or more persons authorised to audit accounts under the law under which the parent undertaking which draws them up is established;
 - (d) that the company discloses in its individual accounts that it is exempt from the obligation to prepare and deliver group accounts;
 - (e) that the company states in its individual accounts the name of the parent undertaking which draws up the group accounts referred to above and –
 - (i) if it is incorporated outside Northern Ireland, the country in which it is incorporated, and
 - (ii) if it is unincorporated, the address of its principal place of business;
 - (f) that the company delivers to the registrar, within the period allowed for delivering its individual accounts, copies of the group accounts and, where appropriate, of the consolidated annual report, together with the auditors’ report on them.

(3) The exemption does not apply to a company any of whose securities are admitted to trading on a regulated market of any EEA State within the meaning of Council Directive 93/22/EEC on investment services in the securities field.

(4) Shares held by directors of a company for the purposes of complying with any share qualification requirement are disregarded in determining for the purposes of paragraph (1)(a) whether the company is a wholly-owned subsidiary.

(5) For the purposes of paragraph (1)(b), shares held by a wholly-owned subsidiary of the parent undertaking or held on behalf of the parent undertaking or a wholly-owned subsidiary, are attributed to the parent undertaking.

- (6) In paragraph (3) “securities” includes –
 - (a) shares and stock,
 - (b) debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness,
 - (c) warrants or other instruments entitling the holder to subscribe for securities falling within sub-paragraph (a) or (b), and
 - (d) certificates or other instruments which confer –
 - (i) property rights in respect of a security falling within sub-paragraph (a), (b) or (c),
 - (ii) any right to acquire, dispose of, underwrite or convert a security, being a right to which the holder would be entitled if he held any such security to which the certificate or other instrument relates, or
 - (iii) a contractual right (other than an option) to acquire any such security otherwise than by subscription.”.

Subsidiary undertakings included in consolidation

5. In Article 237 of the 1986 Order (subsidiary undertakings included in the consolidation)(a) –

- (a) in paragraph (3)(c), omit from “and the undertaking” to the end, and
- (b) omit paragraph (4).

Content of auditors’ report

6. In Article 243 of the 1986 Order (auditors’ report)(b) for paragraph (2) substitute –

“(1A) The auditors’ report must include –

- (a) an introduction identifying the annual accounts that are the subject of the audit and the financial reporting framework that has been applied in their preparation;
- (b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.

(1B) The report must state clearly whether in the auditors’ opinion the annual accounts have been properly prepared in accordance with the requirements of this Order (and, where applicable, Article 4 of the IAS Regulation).

(2) The report must state in particular whether the annual accounts give a true and fair view, in accordance with the relevant financial reporting framework –

- (a) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,
- (b) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,
- (c) in the case of group accounts, of the state of affairs as at the end of the financial year and of the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

(2A) The auditors’ report –

- (a) must be either unqualified or qualified, and
- (b) must include a reference to any matters to which the auditors wish to draw attention by way of emphasis without qualifying the report.”.

Auditors’ report to be dated

7. In Article 244(1) of the 1986 Order (signature of auditors’ report)(c), after “signed” insert “and dated”.

Requirements for auditors’ report published with accounts

8. In Article 248(3) of the 1986 Order (requirements in connection with publication of accounts)(d) –

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

(b) for sub-paragraph (d) substitute –

“(d) whether any such auditors’ report –

- (i) was qualified or unqualified, or included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, or

(a) Article 237 was inserted into the 1986 Order by Article 7 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number
(b) Article 243 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number
(c) Article 244 was inserted into the 1986 Order by Article 11 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number
(d) Article 248 was inserted into the 1986 Order by Article 12 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1995 No. 128

- (ii) contained a statement under Article 245(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations); and
- (e) whether any report made for the purposes of Article 257A(2) was qualified;”.

Repeal of 3 month extension for laying and delivering accounts etc

9. In Article 252 of the 1986 Order (3 month extension of period allowed for laying and delivering accounts and reports where interests outside the United Kingdom, etc.)(a) omit paragraph (3).

Voluntary revision of annual accounts

10.—(1) Article 253 of the 1986 Order (voluntary revision of defective accounts and reports)(b) is amended as follows.

- (2) In paragraph (1) –
 - (a) after “annual accounts” insert “or summary financial statement”, and
 - (b) for “revised report” substitute “revised statement or report”.
- (3) In paragraph (3), after “annual accounts” insert “or a revised summary financial statement”.
- (4) In paragraph (4)(a) and (b), for “or report” substitute “, statement or report”.

Summary financial statements

11.—(1) For the heading before Article 259 of the 1986 Order (provision of summary financial statement to shareholders)(c) substitute “Summary financial statement”.

- (2) In paragraph (1) of that Article –
 - (a) for the words from “A public company” to “listed” substitute “A company”, and
 - (b) omit the definitions of “listed” and “the official list”.

Participating interest no longer required to be subsidiary undertaking

12.—(1) In Article 266(4) of the 1986 Order (parent and subsidiary undertakings)(d) –

- (a) omit “it has a participating interest in the undertaking and”, and
- (b) for sub-paragraph (a) substitute –
 - “(a) it has the power to exercise, or actually exercises, dominant influence or control over it, or”.
- (2) The modification of Article 266(4) in paragraph (1) also applies for the purposes of –
 - (a) the Building Societies Act 1986(e), and
 - (b) the Financial Services and Markets Act 2000(f).

(a) Article 252 was inserted into the 1986 Order by Article 13 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(b) Article 253 was inserted into the 1986 Order by Article 14 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1995 No. 128

(c) Article 259 was inserted into the 1986 Order by Article 17 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1993 No. 220, S.I. 2001/3649 and S.R. 2003 No. 3

(d) Article 266 was inserted into the 1986 Order by Article 23 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(e) 1986 c. 53 (as amended by the Companies (No. 2) (Northern Ireland) Order 1990 (S.I. 1990/1504 (N.I. 10)) and the Building Societies Act 1997 (c. 32))

(f) 2000 c. 8

Disclosures in relation to financial instruments

13.—(1) In Schedule 7 to the 1986 Order (disclosures to be made in directors' report)(a), after paragraph 5 insert –

“Financial instruments

5A.—(1) In relation to the use of financial instruments by a company and by its subsidiary undertakings, the directors' report must contain an indication of –

- (a) the financial risk management objectives and policies of the company and its subsidiary undertakings included in the consolidation, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and
- (b) the exposure of the company and its subsidiary undertakings included in the consolidation to price risk, credit risk, liquidity risk and cash flow risk,

unless such information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company and its subsidiary undertakings included in the consolidation.

(2) In sub-paragraph (1) the expressions “hedge accounting”, “price risk”, “credit risk”, “liquidity risk” and “cash flow risk” have the same meaning as they have in Council Directive 78/660/EEC on the annual accounts of certain types of companies, and in Council Directive 83/349/EEC on consolidated accounts, as amended(b)”.

(2) In Article 254(4) of the 1986 Order (exemptions for small companies from disclosures in directors' report)(c), after sub-paragraph (b) insert –

“(ba) paragraph 5A of Schedule 7 (disclosures relating to the use of financial instruments);”.

Amendment of Schedules to the 1986 Order

14.—(1) Schedule 4 to the 1986 Order (form and content of company accounts)(d) is amended in accordance with Schedule 2 to these Regulations.

(2) Schedule 8 to the 1986 Order (form and content of accounts prepared by small companies)(e) is amended in accordance with Schedule 3 to these Regulations.

(3) Schedule 8A to the 1986 Order (form and content of abbreviated accounts of small companies delivered to registrar)(f) is amended in accordance with Schedule 4 to these Regulations.

(4) Schedule 9 to the 1986 Order (form and content of accounts of banking companies and groups)(g) is amended in accordance with Schedule 5 to these Regulations.

(5) Schedule 9A to the 1986 Order (form and content of accounts of insurance companies and groups)(h) is amended in accordance with Schedule 6 to these Regulations.

Minor and consequential amendments

15. Schedule 7 makes minor and consequential amendments to the 1986 Order and to other statutory provisions.

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- (a) The paragraph in Schedule 7 previously numbered 5A was repealed by S.R. 1997 No. 314
 - (b) O.J. No. L222 of 14.8.1978 page 11 and O.J. L193 of 18.7.1983 page 1, as amended in particular by Directives 2001/65/EEC and 2003/51/EEC of the European Parliament and of the Council (O.J. No. L238 of 27.10.2001, page 28, and O.J. No. L178 of 17.7.2003, page 16)
 - (c) Article 254 was inserted into the 1986 Order by S.R. 1997 No. 436 in place of an existing Article of that number, and amended by S.R. 1997 No. 545 and S.R. 2001 No. 153
 - (d) Schedule 4 was amended by Article 6(2) of, and Schedule 1 to, the Companies (Northern Ireland) Order 1990
 - (e) Schedule 8 was substituted by S.R. 1997 No. 436
 - (f) Schedule 8A was inserted into the 1986 Order by S.R. 1997 No. 436
 - (g) Parts I to III of Schedule 9 were inserted before a re-numbered Schedule 9A by S.R. 1992 No. 258. Part IV of Schedule 9 was substituted by Article 20(3) and (4) of, Part IV of Schedule 7 to, the Companies (Northern Ireland) Order 1990
 - (h) Parts I and II of Schedule 9 to the 1986 Order were formed into a new Schedule 9A by S.R. 1992 No. 258. A new Schedule 9A was substituted by S.R. 1994 No. 428

Sealed with the Official Seal of the Department of Enterprise, Trade and Investment on 2nd December 2004.

(L.S.)

M. Bohill

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

IAS ACCOUNTS: CONSEQUENTIAL AMENDMENTS TO 1986 ORDER

1. The 1986 Order is amended as follows.
- 2.—(1) Article 2A (index of defined expressions)(a) is amended as follows.
 - (2) At the appropriate places insert the following defined expressions –

“Companies Order accounts	Articles 10(1) and 270(1)”
“Companies Order individual accounts	Articles 10(1), 233(4A) and 234(2)”
“IAS accounts	Articles 10(1) and 270(1)”
“IAS individual accounts	Articles 10(1) and 234(2)”.
 - (3) In the definition of “profit and loss account”, in the second column, for “270(2)” substitute “270(1) and (2)”.
3. In Article 10(1) (expressions used in connection with accounts)(b) insert at the appropriate place ““Companies Order accounts””, ““Companies Order individual accounts””, ““IAS accounts”” and ““IAS individual accounts””.
4. In Article 162(2) (definition of “net assets” for Chapter VI of Part VI), after “Schedule 4” insert “that is made in Companies Order individual accounts and any provision that is made in IAS individual accounts”.
5. In Article 182(2) (determination of availability of profits where private company wishes to redeem or purchase own shares out of capital) –
 - (a) after “reference to” insert “the following items as stated in the relevant accounts for determining the permissible capital payments for shares”,
 - (b) in sub-paragraph (b) –
 - (i) at the beginning insert –

“the following provisions –

 - (i) in the case of Companies Order individual accounts,”;
 - (ii) after “etc.” insert –

“, and

 - (ii) in the case of IAS individual accounts, provisions of any kind”, and
 - (c) omit from “as stated” to the end.
6. In Article 229 (duty to keep accounting records)(c), in paragraphs (1)(b) and (4) –
 - (a) for “any balance sheet and profit and loss account prepared under this Part complies” substitute “any accounts required to be prepared under this Part comply”; and
 - (b) at the end insert “(and, where applicable, of Article 4 of the IAS Regulation)”.
7. In Article 230(3)(b) (accounts and returns to be sent to Northern Ireland)(d) –
 - (a) for “the company’s balance sheet and profit and loss account” substitute “the accounts required to be prepared under this Part”; and
 - (b) at the end insert “(and, where applicable, Article 4 of the IAS Regulation)”.
8. In Article 236 (exemption from obligation to prepare group accounts for parent companies included in accounts of larger group)(e), in paragraph (2)(b) at the end insert “or in accordance with international accounting standards”.

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- (a) Article 2A was inserted into the 1986 Order by Article 78 of, and paragraph 1 of Schedule 5 to, the Companies (No. 2) (Northern Ireland) Order 1990 (S.I. 1990/1504 (N.I.10))
 - (b) Article 10 was substituted by Article 25 of, and paragraph 2 of Schedule 10 to, the Companies (Northern Ireland) Order 1990, and amended by S.R. 2003 No. 3
 - (c) Article 229 was inserted into the 1986 Order by Article 4 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number
 - (d) Article 230 was inserted into the 1986 Order by Article 4 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number
 - (e) Article 236 was inserted into the 1986 Order by Article 7(3) of the Companies (Northern Ireland) Order 1990, and amended by S.R. 1993 No. 199 and S.R. 1994 No. 428

9. In Article 237 (subsidiary undertakings included in the consolidation)(a) –
- (a) in paragraph (1) –
 - (i) at the beginning insert “In the case of Companies Order group accounts,”;
 - (ii) omit “or required”;
 - (b) in each of paragraphs (2) and (3), after “consolidation” insert “in Companies Order group accounts”;
 - (c) for paragraph (5) substitute –
 - “(5) A parent company is exempt from the requirement to prepare group accounts if under paragraph (2) or (3) all of its subsidiary undertakings could be excluded from consolidation in Companies Order group accounts.”.

10. In Article 238 (treatment of individual profit and loss account where group accounts prepared)(b), in paragraph (2) at the beginning insert “Where the company prepares Companies Order individual accounts,”.

11. After Article 239 insert –

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

239A.—(1) The following information with respect to the employees of the company must be given in notes to the company’s annual accounts –

- (a) the average number of persons employed by the company in the financial year, and
 - (b) the average number of persons so employed within each category of persons employed by the company.
- (2) The average number required by paragraph (1)(a) or (b) is determined by dividing the relevant annual number by the number of months in the financial year.
- (3) The relevant annual number is determined by ascertaining for each month in the financial year –
- (a) for the purposes of paragraph (1)(a), the number of persons employed under contracts of service by the company in that month (whether throughout the month or not);
 - (b) for the purposes of paragraph (1)(b), the number of persons in the category in question of persons so employed;

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

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

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

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

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

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

(7) In this Article “social security costs” and “pension costs” have the same meaning as in Schedule 4 (see paragraph 92(1) and (2) of that Schedule).”.

12. In Article 241(5) (criminal penalty for failing to comply with accounting requirements)(c), after “requirements of this Order” insert “(or, where applicable, of Article 4 of the IAS Regulation)”.

(a) Article 237 was inserted into the 1986 Order by Article 7(3) of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(b) Article 238 was inserted into the 1986 Order by Article 7(3) of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(c) Article 241 was inserted into the 1986 Order by Article 9 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

13.—(1) In Articles 253 to 253C (revision of defective accounts or reports)(a), after “requirements of this Order”, wherever occurring, insert “(or, where applicable, of Article 4 of the IAS Regulation)”.

(2) That expression occurs in Article 253(1) and (2), in Article 253A(1) and (3), in Article 253B(1), (4) and (5) and in Article 253C(1).

14.—(1) Article 254 (special provisions for small companies)(b) is amended as follows.

(2) In paragraph (2) –

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

(b) for “Article 234” substitute “Article 234A”.

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

15. In Article 254A(1) (special provisions for medium-sized companies)(c), in paragraph (1) at the end insert “and its directors prepare Companies Order individual accounts for that year”.

16. In Article 255 (qualification of company as small or medium-sized)(d), for paragraph (5) substitute –

“(5) The balance sheet total means –

(a) in the case of Companies Order individual accounts –

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

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

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

17. In Article 256A(1)(b) (group accounts prepared by small company)(e) for “group accounts” substitute “Companies Order group accounts”.

18. In Article 257C (report required for the purposes of exemption from audit under Article 257A)(f), in paragraph (6)(a), for “Article 234(3)” substitute “Article 234A(3)”.

19. In Article 263 (special provisions for banking and insurance companies)(g), after paragraph (4) insert –

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

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

20.—(1) Article 263A (special provisions for banking and insurance groups)(h) is amended as follows.

(2) In paragraph (6)(a), for “Article 235(5) and (6)” substitute “Article 235A(4) and (5)”.

(3) After paragraph (6) insert –

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

(a) Articles 253 to 253C were inserted into 1986 Order by Article 14 of the Companies (Northern Ireland) Order 1990. Article 253 was amended by S.R. 1995 No. 128

(b) Article 254 was inserted into the 1986 Order by Article 15 of the Companies (Northern Ireland) Order 1990, subsequently substituted by S.R. 1997 No. 436, and amended by S.R. 1997 No. 545 and S.R. 2001 No. 153

(c) Article 254A was inserted into the 1986 Order by S.R. 1997 No. 436

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

(e) Article 256A was inserted into the 1986 Order by S.R. 1997 No. 436

(f) Article 257C was inserted into the 1986 Order by S.R. 1995 No. 128, and amended by S.R. 1997 No. 436 and S.R. 2001 No. 153

(g) Article 263 was inserted into the 1986 Order by Article 20 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, substituted by S.R. 1992 No. 258, and amended by S.R. 1994 No. 428

(h) Article 263A was inserted into the 1986 Order by Article 20 of the Companies (Northern Ireland) Order 1990, substituted by S.R. 1992 No. 258, and amended by S.R. 1993 No. 199, S.R. 1994 No. 428 and S.R. 1997 No. 314

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

21. In Article 269(2) (notes to the accounts)(a), after “any provision of this Order” insert “or international accounting standards”.

22.—(1) Article 270 (minor definitions)(b) is amended as follows.

(2) In paragraph (1) –

(a) at the appropriate place insert –

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

(b) at the appropriate place insert –

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

(c) at the appropriate place insert –

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

(d) at the appropriate place insert –

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

(e) at the appropriate place insert –

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

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

(3) After paragraph (2) insert –

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

(a) in the case of Companies Order individual accounts, to the requirement under Article 234A that such accounts give a true and fair view;

(b) in the case of Companies Order group accounts, to the requirement under Article 235A that such accounts give a true and fair view; and

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

23.—(1) Article 270A (index of defined expressions)(d) is amended as follows.

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

“Companies Order accounts	Section 270(1)”
“Companies Order group accounts	Articles 235(2) and 263A(6A)”
“Companies Order individual accounts	Articles 234(2) and 263(4A)”
“group accounts	Article 235(1)”
“IAS accounts	Article 270(1)”
“IAS group accounts	Article 235(2) and (3)”
“IAS individual accounts	Article 234(2)”
“IAS Regulation	Article 270(1)”
“international accounting standards	Article 270(1)”.

(a) Article 269 was inserted into the 1986 Order by Article 24 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

(b) Article 270 was inserted into the 1986 Order by Article 24 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by S.R. 1993 No. 199, S.R. 1997 No. 314, S.I. 2002/765 and S.R. 2003 No. 3

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

(d) Article 270A was inserted into the 1986 Order by Article 24 of the Companies (Northern Ireland) Order 1990, and amended by S.R. 1992 No. 258, S.R. 1994 No. 428, S.R. 1995 No. 128, S.R. 1997 No. 314, S.R. 1997 No. 436 and S.R. 2003 No. 3

- (3) After the entry for “profit and loss account (includes notes)” insert –
“(in relation to IAS accounts) Article 270(1)”.
- (4) For the entry for “true and fair view” substitute –
“true and fair view Article 270(2A)”.

24. In Article 272(2) (restriction on distribution of assets), after “Schedule 4” insert “that is made in Companies Order accounts and any provision that is made in IAS accounts”.

25. In Article 273(2) (other distributions by investment companies)(a), after “Schedule 4” insert “that is made in Companies Order accounts and any provision that is made in IAS accounts”.

26. In Article 276(2)(aa) (realised profits of insurance company with long term business)(b) –
- (a) after “balance sheet is” insert –
“(i) in the case of Companies Order individual accounts,”;
- (b) at the end insert –
“and
(ii) in the case of IAS individual accounts, to that part of the balance sheet which represents accumulated profit or loss,”.

27.—(1) Article 277(2) (treatment of development costs)(c) is amended as follows.

- (2) Omit “and” at the end of sub-paragraph (a).
- (3) In sub-paragraph (b) –
- (a) at the beginning insert –
“it is stated –
(i) in the case of Companies Order individual accounts, in”;
- (b) for “states” substitute –
“, or
(ii) in the case of IAS individual accounts, in any note to the accounts,”;
- (c) for “and explains” substitute –
“, and
(c) the note explains”.

28. In Article 278(2) (distribution to be justified by reference to company’s accounts), in sub-paragraph (b) –

- (a) at the beginning insert –
“the following provisions –
(i) in the case of Companies Order individual accounts,”;
- (b) after “etc.” insert –
“, and
(ii) in the case of IAS individual accounts, provisions of any kind”.

29. In Article 280(3) (interim accounts must be properly prepared)(d) after “that Article” insert “and Articles 234A and 234B”.

30. In Article 283 (treatment of assets in the relevant accounts), for paragraph (1) substitute –
“(1) For the purposes of Articles 271 and 272, the following are treated as realised losses –
(a) in the case of Companies Order individual accounts, provisions of any kind mentioned in paragraphs 87 and 88 of Schedule 4 (other than revaluation provisions), and

(a) Article 273 was amended by section 212 of, and paragraph 19 of Schedule 16 to, the Financial Services Act 1986 (c.60), and by S.I. 2001/3649

(b) Article 276 was amended by S.R. 1997 No. 314 and S.I. 2001/3649

(c) Article 277 was amended by S.R. 1997 No. 436

(d) Article 280 was amended by Article 25 of, and paragraphs 7 and 8 of Schedule 10 to, the Companies (Northern Ireland) Order 1990

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

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

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

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

(3) In Part V (special provisions where the company is an investment company), in paragraph 72(2) after “paragraph 88” insert “that is made in Companies Order accounts and any provision that is made in IAS accounts”.

(4) In Part VII (interpretation) in paragraph 92(3) for “paragraph 56(1)(a)” substitute “Article 239A(1)(a)”.

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

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

34. In Part I of Schedule 9 (form and content of banking companies’ accounts)(d) –

(a) omit paragraph 77, and

(b) in paragraph 86(c) (interpretation) for “paragraph 77(1)(a)” substitute “Article 239A(1)(a)”.

35. In Part I of Schedule 9A (form and content of insurance companies’ accounts)(e) –

(a) omit paragraph 79, and

(b) in paragraph 85(c) (interpretation) for “paragraph 79(1)(a)” substitute “Article 239A(1)(a)”.

36.—(1) Schedule 11 (modifications of Part IX for banking and insurance companies)(f) is amended as follows.

(2) In paragraph 5, for “Article 234” substitute “Articles 234, 234A and 234B”.

(3) At the beginning of paragraph 9 insert “In the case of Companies Order accounts,”.

(4) In paragraph 10, for “Article 234” substitute “Articles 234, 234A and 234B”.

SCHEDULE 2

Regulation 14(1)

FORM AND CONTENT OF COMPANY ACCOUNTS

1. Schedule 4 to the 1986 Order (form and content of company accounts) is amended as follows.

2. Omit sub-paragraph (7) of paragraph 3 (dividends in profit and loss account to be shown as separate items)(g).

3. After paragraph 5 insert –

-
- (a) Schedule 4 was amended by Article 6(2) of, and Schedule 1 to, the Companies (Northern Ireland) Order 1990
- (b) Paragraph 25 and its internal cross-references were renumbered by Article 8(4) of, and paragraph 4 of Schedule 4 to, the Companies (Northern Ireland) Order 1990
- (c) Paragraph 12 was inserted by S.R. 1997 No. 314 and substituted by S.R. 1997 No. 501
- (d) Parts I to III of Schedule 9 were inserted before a re-numbered Schedule 9A by S.R. 1992 No. 258. Part IV of Schedule 9 was substituted by Article 20(3) and (4) of, and Part IV of Schedule 7 to, the Companies (Northern Ireland) Order 1990
- (e) Parts I and II of Schedule 9 to the 1986 Order were formed into a new Schedule 9A by S.R. 1992 No. 258. A new Schedule 9A was substituted by S.R. 1994 No. 428
- (f) Schedule 11 was amended by Article 25 of, and paragraph 24 of Schedule 10 to, the Companies (Northern Ireland) Order 1990, S.R. 1992 No. 258, S.R. 1994 No. 428 and S.R. 1997 No. 314
- (g) Paragraph 3(7) was amended by S.R. 1997 No. 314

“5A. The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.”

4.—(1) In the Balance Sheet Formats, for “provisions for liabilities and charges”, wherever occurring, substitute “provisions for liabilities”.

(2) That expression occurs –

(a) in Balance Sheet Format 1, in Item I;

(b) in Balance Sheet Format 2, under the heading “LIABILITIES”, in Item B.

5.—(1) Part II (accounting principles and rules) is amended as follows.

(2) In paragraph 12(b) (extent to which liabilities and losses to be taken into account) omit “and losses” and “or are likely to arise”.

(3) In paragraph 16 (general requirement to use historical cost accounting), for “Subject to section C” substitute “Subject to sections C and D”.

(4) After section C insert –

“SECTION D

FAIR VALUE ACCOUNTING

Inclusion of financial instruments at fair value

34A.—(1) Subject to sub-paragraphs (2) to (4), financial instruments (including derivatives) may be included at fair value.

(2) Sub-paragraph (1) does not apply to financial instruments which constitute liabilities unless –

(a) they are held as part of a trading portfolio, or

(b) they are derivatives.

(3) Sub-paragraph (1) does not apply to –

(a) financial instruments (other than derivatives) held to maturity;

(b) loans and receivables originated by the company and not held for trading purposes;

(c) interests in subsidiary undertakings, associated undertakings and joint ventures;

(d) equity instruments issued by the company;

(e) contracts for contingent consideration in a business combination;

(f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(4) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 34B, sub-paragraph (1) does not apply to that financial instrument.

(5) In this paragraph –

“associated undertaking” has the meaning given by paragraph 20 of Schedule 4A; and

“joint venture” has the meaning given by paragraph 19 of that Schedule.

Determination of fair value

34B.—(1) The fair value of a financial instrument is determined in accordance with this paragraph.

(2) If a reliable market can readily be identified for the financial instrument, its fair value is determined by reference to its market value.

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Inclusion of hedged items at fair value

34C. A company may include any assets and liabilities that qualify as hedged items under a fair value hedge accounting system, or identified portions of such assets or liabilities, at the amount required under that system.

Other assets that may be included at fair value

34D.—(1) This paragraph applies to –

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

that, under international accounting standards, may be included in accounts at fair value.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such 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 relevant international accounting standards.

Accounting for changes in value

34E.—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 34A or 34C or an asset is valued in accordance with paragraph 34D.

(2) Notwithstanding paragraph 12 and subject to sub-paragraphs (3) and (4), a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

(3) Where –

- (a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account, or
- (b) the change in value relates to an exchange difference arising on a monetary item that forms part of a company’s net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve (“the fair value reserve”).

(4) Where the instrument accounted for –

- (a) is an available for sale financial asset, and
- (b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve

34F.—(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 34E(3) or (4).

(2) The treatment for taxation purposes of amounts credited to or debited from the fair value reserve must be disclosed in a note to the accounts.”.

6.—(1) Part III (notes to the accounts) is amended as follows.

(2) After paragraph 35 insert –

“Reserves and dividends

35A. There must be stated –

- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves,
- (b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date),
- (c) the aggregate amount of dividends that the company is liable to pay at the balance sheet date, and
- (d) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and not otherwise disclosed under sub-paragraph (b) or (c).”.

(3) After paragraph 45(a) insert –

“Information about fair value of assets and liabilities

45A.—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 34A or 34C.

(2) There must be stated –

- (a) where the fair value of the instruments has been determined in accordance with paragraph 34B(4), the significant assumptions underlying the valuation models and techniques used,
- (b) for each category of financial instruments, the fair value of the instruments in that category and the changes in value –
 - (i) included 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 instruments, 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 that year; and
- (c) the source and application respectively of the amounts so transferred.

45B. Where the company has derivatives that it has not included at fair value, there must be stated for each class of such derivatives –

- (a) the fair value of the derivatives in that class, if such a value can be determined in accordance with paragraph 34B, and
- (b) the extent and nature of the derivatives.

45C.—(1) Sub-paragraph (2) applies if –

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 34A,
- (b) the amount at which those assets are included under any item in the company’s accounts is in excess of their fair value, and
- (c) the company has not made provision for diminution in value of those assets in accordance with paragraph 19(1).

(2) There must be stated –

- (a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company’s accounts,
- (b) the fair value of those assets or groupings, and
- (c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

Information where investment property and living animals and plants included at fair value

45D.—(1) This paragraph applies where the amounts to be included in a company’s accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 34D.

(2) The balance sheet items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of investment property, for each balance sheet item affected there must be shown, either separately in the balance sheet or in a note to the accounts –

- (a) the comparable amounts determined according to the historical cost accounting rules; or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(a) Paragraph 45 was amended by S.R. 1997 No. 314

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined in accordance with that sub-paragraph are references to –

(a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules; and

(b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.”.

(4) In paragraph 46(1) (transfers to and from reserves and provisions) –

(a) in sub-paragraph (b), for “provisions for liabilities and charges” substitute “provisions for liabilities”;

(b) in sub-paragraph (c), for “provision for liabilities and charges” substitute “provision for liabilities”.

7.—(1) Part V (special provisions where the company is an investment company) is amended as follows.

(2) In paragraph 72(2) (distributions by investment companies), for “provision for liabilities or charges” substitute “provision for liabilities”.

8.—(1) Part VII (interpretation of Schedule) is amended as follows.

(2) After paragraph 76 (interpretation) insert –

“Financial instruments

76A. References to “derivatives” include commodity-based contracts that give either contracting party the right to settle in cash or in some other financial instrument, except when such contracts –

(a) were entered into for the purpose of, and continue to meet, the company’s expected purchase, sale or usage requirements,

(b) were designed for such purpose at their inception, and

(c) are expected to be settled by delivery of the commodity.

76B.—(1) The expressions listed in sub-paragraph (2) have the same meaning as they have in Council Directive 78/660/EEC on the annual accounts of certain types of companies, as amended(a).

(2) Those expressions are “available for sale financial asset”, “business combination”, “commodity-based contracts”, “derivative”, “equity instrument”, “exchange difference”, “fair value hedge accounting system”, “financial fixed asset”, “financial instrument”, “foreign entity”, “hedge accounting”, “hedge accounting system”, “hedged items”, “hedging instrument”, “held for trading purposes”, “held to maturity”, “monetary item”, “receivables”, “reliable market” and “trading portfolio”.”.

(3) After paragraph 81 insert –

“Investment property

81A. “Investment property” means land held to earn rent or for capital appreciation.”.

(4) In paragraph 88 (interpretation of references to provisions for liabilities or charges) –

(a) for “provisions for liabilities or charges” substitute “provisions for liabilities”, and

(b) for “or loss” substitute “the nature of which is clearly defined and”.

SCHEDULE 3

Regulation 14(2)

FORM AND CONTENT OF ACCOUNTS PREPARED BY SMALL COMPANIES

1. Schedule 8 to the 1986 Order (form and content of small company accounts)(b) is amended as follows.

(a) O.J. No. L222 of 14.8.1978, page 11, as amended in particular by Directive 2001/65/EEC (O.J. No. L238 of 27.10.2001, page 28)

(b) Schedule 8 was substituted by S.R. 1997 No. 436

2. Omit sub-paragraph (7) of paragraph 3 (dividends in profit and loss account to be shown as separate items).

3. After paragraph 5 insert –

“5A. The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.”.

4.—(1) In the Balance Sheet Formats, for “provisions for liabilities and charges”, wherever occurring, substitute “provisions for liabilities”.

(2) That expression occurs –

(a) in Balance Sheet Format 1, in Item I;

(b) in Balance Sheet Format 2, under the heading “LIABILITIES”, in Item B.

5.—(1) Part II (accounting principles and rules) is amended as follows.

(2) In paragraph 12(b) (extent to which liabilities and losses to be taken into account) omit “and losses” and “or are likely to arise”.

(3) In paragraph 16 (general requirement to use historical cost accounting), for “Subject to section C” substitute “Subject to sections C and D”.

(4) After section C insert –

“SECTION D

FAIR VALUE ACCOUNTING

Inclusion of financial instruments at fair value

34A.—(1) Subject to sub-paragraphs (2) to (4), financial instruments (including derivatives) may be included at fair value.

(2) Sub-paragraph (1) does not apply to financial instruments which constitute liabilities unless –

(a) they are held as part of a trading portfolio, or

(b) they are derivatives.

(3) Sub-paragraph (1) does not apply to –

(a) financial instruments (other than derivatives) held to maturity;

(b) loans and receivables originated by the company and not held for trading purposes;

(c) interests in subsidiary undertakings, associated undertakings and joint ventures;

(d) equity instruments issued by the company;

(e) contracts for contingent consideration in a business combination;

(f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(4) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 34B, sub-paragraph (1) does not apply to that financial instrument.

(5) In this paragraph –

“associated undertaking” has the meaning given by paragraph 20 of Schedule 4A; and

“joint venture” has the meaning given by paragraph 19 of that Schedule.

Determination of fair value

34B.—(1) The fair value of a financial instrument is determined in accordance with this paragraph.

(2) If a reliable market can readily be identified for the financial instrument, its fair value is determined by reference to its market value.

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Inclusion of hedged items at fair value

34C. A company may include any assets and liabilities that qualify as hedged items under a fair value hedge accounting system, or identified portions of such assets or liabilities, at the amount required under that system.

Other assets that may be included at fair value

34D.—(1) This paragraph applies to –

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

that, under international accounting standards, may be included in accounts at fair value.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such 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 relevant international accounting standards.

Accounting for changes in value

34E.—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 34A or 34C or an asset is valued in accordance with paragraph 34D.

(2) Notwithstanding paragraph 12, and subject to sub-paragraphs (3) and (4), a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

(3) Where –

- (a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account, or
- (b) the change in value relates to an exchange difference arising on a monetary item that forms part of a company’s net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve (“the fair value reserve”).

(4) Where the instrument accounted for –

- (a) is an available for sale financial asset, and
- (b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve

34F.—(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 34E(3) or (4).

(2) The treatment for taxation purposes of amounts credited to or debited from the fair value reserve must be disclosed in a note to the accounts.”.

6.—(1) Part III (notes to the accounts) is amended as follows.

(2) After paragraph 35 insert –

“Reserves and dividends

35A. There must be stated –

- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves,
- (b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date),
- (c) the aggregate amount of dividends that the company is liable to pay at the balance sheet date, and

- (d) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and not otherwise disclosed under sub-paragraph (b) or (c).”.

(3) After paragraph 42 insert –

“Information about fair value of assets and liabilities

42A.—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 34A or 34C.

(2) There must be stated –

- (a) where the fair value of the instruments has been determined in accordance with paragraph 34B(4), the significant assumptions underlying the valuation models and techniques used,
- (b) for each category of financial instrument, the fair value of the instruments in that category and the changes in value –
 - (i) included in the profit and loss account, and
 - (ii) credited to or (as the case may be) debited from the fair value reserve,

in respect of those instruments, 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 that year; and
- (c) the source and application respectively of the amounts so transferred.

42B.—(1) Sub-paragraph (2) applies if –

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 34A,
- (b) the amount at which those assets are included under any item in the company’s accounts is in excess of their fair value, and
- (c) the company has not made provision for diminution in value of those assets in accordance with paragraph 19(1).

(2) There must be stated –

- (a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company’s accounts,
- (b) the fair value of those assets or groupings, and
- (c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

Information where investment property and living animals and plants included at fair value

42C.—(1) This paragraph applies where the amounts to be included in a company’s accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 34D.

(2) The balance sheet items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of investment property, for each balance sheet item affected there must be shown, either separately in the balance sheet or in a note to the accounts –

- (a) the comparable amounts determined according to the historical cost accounting rules; or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined in accordance with that sub-paragraph are references to –

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules; and

- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.”.
- (4) In paragraph 43(1) (transfers to and from reserves and provisions) –
 - (a) in sub-paragraph (b), for “provisions for liabilities and charges” substitute “provisions for liabilities”;
 - (b) in sub-paragraph (c), for “provision for liabilities and charges” substitute “provision for liabilities”.

7.—(1) Part IV (interpretation of Schedule) is amended as follows.

(2) After paragraph 52 (interpretation) insert –

“Financial instruments

52A. References to “derivatives” include commodity-based contracts that give either contracting party the right to settle in cash or in some other financial instrument, except when such contracts –

- (a) were entered into for the purpose of, and continue to meet, the company’s expected purchase, sale or usage requirements,
- (b) were designed for such purpose at their inception, and
- (c) are expected to be settled by delivery of the commodity.

52B.—(1) The expressions listed in sub-paragraph (2) have the same meaning as they have in Council Directive 78/660/EEC on the annual accounts of certain types of companies, as amended^(a).

(2) Those expressions are “available for sale financial asset”, “business combination”, “commodity-based contracts”, “derivative”, “equity instrument”, “exchange difference”, “fair value hedge accounting system”, “financial fixed asset”, “financial instrument”, “foreign entity”, “hedge accounting”, “hedge accounting system”, “hedged items”, “hedging instrument”, “held for trading purposes”, “held to maturity”, “monetary item”, “receivables”, “reliable market” and “trading portfolio”.

(3) After paragraph 53 insert –

“Investment property

53A. “Investment property” means land held to earn rent or for capital appreciation.”.

- (4) In paragraph 58 (interpretation of references to provisions for liabilities or charges) –
 - (a) for “provisions for liabilities of charges” substitute “provisions for liabilities”, and
 - (b) for “or loss” substitute “the nature of which is clearly defined and”.

SCHEDULE 4

Regulation 14(3)

FORM AND CONTENT OF ABBREVIATED ACCOUNTS OF SMALL COMPANIES DELIVERED TO REGISTRAR

1. Schedule 8A to the 1986 Order (form and content of small company accounts delivered to registrar)^(b) is amended as follows.

2.—(1) In the Balance Sheet Formats, for “provisions for liabilities and charges”, wherever occurring, substitute “provisions for liabilities”.

(2) That expression occurs –

- (a) in Balance Sheet Format 1, in Item I; and
- (b) in Balance Sheet Format 2, under the heading “LIABILITIES”, in Item B.

3. After paragraph 7 (notes to be included in small company accounts delivered to registrar) insert –

“Financial fixed assets

7A.—(1) Sub-paragraph (2) applies if –

(a) O.J. No. L222 of 14.8.1978, page 11, as amended in particular by Directive 2001/65/EEC (O.J. No. L238 of 27.10.2001, page 28)

(b) Schedule 8A was inserted into the 1986 Order by S.R. 1997 No. 436

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 34A of Schedule 8,
 - (b) the amount at which those assets are included under any item in the company's accounts is in excess of their fair value, and
 - (c) the company has not made provision for diminution in value of those assets in accordance with paragraph 19(1) of that Schedule.
- (2) There must be stated –
- (a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company's accounts,
 - (b) the fair value of those assets or groupings, and
 - (c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.”.

SCHEDULE 5

Regulation 14(4)

FORM AND CONTENT OF ACCOUNTS OF BANKING COMPANIES AND GROUPS

1. Part I of Schedule 9 to the 1986 Order (form and content of accounts of banking companies and groups) is amended as follows.
2. Omit paragraph 8 (dividends in profit and loss account to be shown as separate items)(a).
3. After paragraph 8 insert –

“8A. The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.”.
4. In the Balance Sheet Format, under the heading “LIABILITIES”, for “Provisions for liabilities and charges” substitute “Provisions for liabilities”.
5. In paragraph 19(b) (extent to which liabilities and losses to be taken into account) omit “and losses” and “or are likely to arise”.
6. In paragraph 23 (preliminary paragraph on historical cost accounting rules) for “paragraphs 39 to 44” substitute “paragraphs 39 to 44F”.
7. After paragraph 44 insert –

“FAIR VALUE ACCOUNTING

Inclusion of financial instruments at fair value

- 44A.—(1) Subject to sub-paragraphs (2) to (4), financial instruments (including derivatives) may be included at fair value.
- (2) Sub-paragraph (1) does not apply to financial instruments which constitute liabilities unless –
 - (a) they are held as part of a trading portfolio, or
 - (b) they are derivatives.
 - (3) Sub-paragraph (1) does not apply to –
 - (a) financial instruments (other than derivatives) held to maturity;
 - (b) loans and receivables originated by the company and not held for trading purposes;
 - (c) interests in subsidiary undertakings, associated undertakings and joint ventures;
 - (d) equity instruments issued by the company;
 - (e) contracts for contingent consideration in a business combination;
 - (f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(a) Paragraph 8 was amended by S.R. 1997 No. 314

(4) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 44B, sub-paragraph (1) does not apply to that financial instrument.

(5) In this paragraph –

“associated undertaking” has the meaning given by paragraph 20 of Schedule 4A; and

“joint venture” has the meaning given by paragraph 19 of that Schedule.

Determination of fair value

44B.—(1) The fair value of a financial instrument is determined in accordance with this paragraph.

(2) If a reliable market can readily be identified for the financial instrument, its fair value is determined by reference to its market value.

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Inclusion of hedged items at fair value

44C. A company may include any assets and liabilities that qualify as hedged items under a fair value hedge accounting system, or identified portions of such assets or liabilities, at the amount required under that system.

Other assets that may be included at fair value

44D.—(1) This paragraph applies to –

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

that, under international accounting standards, may be included in accounts at fair value.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such 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 relevant international accounting standards.

Accounting for changes in value

44E.—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 44A or 44C or an asset is valued in accordance with paragraph 44D.

(2) Notwithstanding paragraph 19, and subject to sub-paragraphs (3) and (4), a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

(3) Where –

- (a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account, or
- (b) the change in value relates to an exchange difference arising on a monetary item that forms part of a company’s net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve (“fair value reserve”).

(4) Where the instrument accounted for –

- (a) is an available for sale financial asset, and
- (b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve

44F.—(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 44E(3) or (4).

(2) The treatment for taxation purposes of amounts credited to or debited from the fair value reserve shall be disclosed in a note to the accounts.”.

8.—(1) Chapter III (notes to the accounts) is amended as follows.

(2) After paragraph 50 insert –

“Reserves and dividends

50A. There must be stated –

- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves,
- (b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date),
- (c) the aggregate amount of dividends that the company is liable to pay at the balance sheet date, and
- (d) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and not otherwise disclosed under sub-paragraph (b) or (c).”.

(3) After paragraph 58 insert –

“Information about fair value of assets and liabilities

58A.—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 44A or 44C.

(2) There must be stated –

- (a) where the fair value of the instruments has been determined in accordance with paragraph 44B(4), the significant assumptions underlying the valuation models and techniques used,
- (b) for each category of financial instrument, the fair value of the instruments in that category and the changes in value –
 - (i) included in the profit and loss account, and
 - (ii) credited to or (as the case may be) debited from the fair value reserve,in respect of those instruments, 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 that year; and
- (c) the source and application respectively of the amounts so transferred.

58B. Where the company has derivatives that it has not included at fair value, there must be stated for each class of such derivatives –

- (a) the fair value of the derivatives in that class, if such a value can be determined in accordance with paragraph 44B, and
- (b) the extent and nature of the derivatives.

58C.—(1) Sub-paragraph (2) applies if –

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 44A,
- (b) the amount at which those assets are included under any item in the company’s accounts is in excess of their fair value, and
- (c) the company has not made provision for diminution in value of those assets in accordance with paragraph 26(1).

(2) There must be stated –

- (a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company's accounts,
- (b) the fair value of those assets or groupings, and
- (c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

Information where investment property and living animals and plants included at fair value

58D.—(1) This paragraph applies where the amounts to be included in a company's accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 44D.

(2) The balance sheet items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of investment property, for each balance sheet item affected there must be shown, either separately in the balance sheet or in a note to the accounts –

- (a) the comparable amounts determined according to the historical cost accounting rules; or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined in accordance with that sub-paragraph are references to –

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules; and
- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.”.

(4) In paragraph 59(1) (transfers to and from reserves and provisions) –

- (a) in sub-paragraph (b), for “provisions for liabilities and charges” substitute “provisions for liabilities”, and
- (b) in sub-paragraph (c), for “provision for liabilities and charges” substitute “provision for liabilities”.

9.—(1) Chapter IV (interpretation of Part I) is amended as follows.

(2) In paragraph 82 (general interpretation), at the appropriate place, insert –

“ “Investment property” means land held to earn rent or for capital appreciation;”.

(3) After paragraph 82 insert –

“Financial instruments

82A. For the purposes of this Part, references to “derivatives” include commodity-based contracts that give either contracting party the right to settle in cash or in some other financial instrument, except when such contracts –

- (a) were entered into for the purpose of, and continue to meet, the company's expected purchase, sale or usage requirements,
- (b) were designed for such purpose at their inception, and
- (c) are expected to be settled by delivery of the commodity.

82B.—(1) The expressions listed in sub-paragraph (2) have the same meaning in paragraphs 44A to 44F, 58A to 58C and 82A of this Part as they have in Council Directives 78/660/EEC on the annual accounts of certain types of companies and 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions, as amended(a).

(2) Those expressions are “available for sale financial asset”, “business combination”, “commodity-based contracts”, “derivative”, “equity instrument”, “exchange difference”, “fair value hedge accounting system”, “financial fixed asset”, “financial instrument”, “foreign entity”, “hedge accounting”, “hedge accounting system”, “hedged items”, “hedging instrument”, “held for trading

(a) O.J. No. L222 of 14.8.1978, page 11, and O.J. No. L372 of 31.12.1986, page 1, as amended in particular by Directive 2001/65/EEC (O.J. No. L238 of 27.10.2001, page 28)

purposes”, “held to maturity”, “monetary item”, “receivables”, “reliable market” and “trading portfolio”.”.

(4) In paragraph 85(c) (interpretation of references to provisions for liabilities or charges) –

(a) for “provisions for liabilities or charges” substitute “provisions for liabilities”, and

(b) for “or loss” substitute “the nature of which is clearly defined and”.

SCHEDULE 6

Regulation 14(5)

FORM AND CONTENT OF ACCOUNTS OF INSURANCE COMPANIES AND GROUPS

1. Part I of Schedule 9A to the 1986 Order (form and content of accounts of insurance companies and groups) is amended as follows.

2. Omit paragraph 5 (dividends in profit and loss account to be shown as separate items)(a).

3. After paragraph 6 insert –

“6A. The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.”.

4. In the Balance Sheet Format, under the heading “LIABILITIES”, for “Provisions for other risks and charges” substitute “Provisions for other risks”.

5. In paragraph 16(b) (extent to which liabilities and losses to be taken into account) omit “and losses” and “or are likely to arise”.

6.—(1) After paragraph 19 insert –

“Valuation

19A.—(1) The amounts to be included in respect of assets of any description mentioned in paragraph 22 (valuation of assets: general) are determined either –

(a) in accordance with that paragraph and paragraph 24 (but subject to paragraphs 27 to 29); or

(b) so far as applicable to an asset of that description, in accordance with section BA (valuation at fair value).

(2) The amounts to be included in respect of assets of any description mentioned in paragraph 23 (alternative valuation of fixed-income securities) may be determined –

(a) in accordance with that paragraph (but subject to paragraphs 27 to 29); or

(b) so far as applicable to an asset of that description, in accordance with section BA.

(3) The amounts to be included in respect of assets which –

(a) are not assets of a description mentioned in paragraph 22 or 23, but

(b) are assets of a description to which section BA is applicable,

may be determined in accordance with that section.

(4) Subject to sub-paragraphs (1) to (3), the amounts to be included in respect of all items shown in a company’s accounts are determined in accordance with section C.”.

(2) Omit paragraph 20 (preliminary paragraph on current value accounting rules).

7.—(1) In Chapter II (accounting principles and rules), after paragraph 29 insert –

“SECTION BA

VALUATION AT FAIR VALUE

Inclusion of financial instruments at fair value

29A.—(1) Subject to sub-paragraphs (2) to (4), financial instruments (including derivatives) may be included at fair value.

(a) Paragraph 5 was amended by S.R. 1997 No. 314

- (2) Sub-paragraph (1) does not apply to financial instruments which constitute liabilities unless –
 - (a) they are held as part of a trading portfolio, or
 - (b) they are derivatives.
- (3) Except where they fall to be included under Assets item D (assets held to cover linked liabilities), sub-paragraph (1) does not apply to –
 - (a) financial instruments (other than derivatives) held to maturity;
 - (b) loans and receivables originated by the company and not held for trading purposes;
 - (c) interests in subsidiary undertakings, associated undertakings and joint ventures;
 - (d) equity instruments issued by the company;
 - (e) contracts for contingent consideration in a business combination;
 - (f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.
- (4) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 29B, sub-paragraph (1) does not apply to that financial instrument.
- (5) In this paragraph –
 - “associated undertaking” has the meaning given by paragraph 20 of Schedule 4A; and
 - “joint venture” has the meaning given by paragraph 19 of that Schedule.

Determination of fair value

29B.—(1) The fair value of a financial instrument is determined in accordance with this paragraph.

(2) If a reliable market can readily be identified for the financial instrument, its fair value is determined by reference to its market value.

(3) If a reliable market cannot readily be identified for the financial instrument but can be identified for its components or for a similar instrument, its fair value is determined by reference to the market value of its components or of the similar instrument.

(4) If neither sub-paragraph (2) nor (3) applies, the fair value of the financial instrument is a value resulting from generally accepted valuation models and techniques.

(5) Any valuation models and techniques used for the purposes of sub-paragraph (4) must ensure a reasonable approximation of the market value.

Inclusion of hedged items at fair value

29C. A company may include any assets and liabilities that qualify as hedged items under a fair value hedge accounting system, or identified portions of such assets or liabilities, at the amount required under that system.

Other assets that may be included at fair value

29D.—(1) This paragraph applies to –

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

that, under international accounting standards, may be included in accounts at fair value.

(2) Such investment property and such living animals and plants may be included at fair value, provided that all such investment property or, as the case may be, all such 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 relevant international accounting standards.

Accounting for changes in value

29E.—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 29A or 29C or an asset is valued in accordance with paragraph 29D.

(2) Notwithstanding paragraph 16, and subject to sub-paragraphs (3) and (4), a change in the value of the financial instrument or of the investment property or living animal or plant must be included in the profit and loss account.

- (3) Where –
 - (a) the financial instrument accounted for is a hedging instrument under a hedge accounting system that allows some or all of the change in value not to be shown in the profit and loss account, or
 - (b) the change in value relates to an exchange difference arising on a monetary item that forms part of a company's net investment in a foreign entity,

the amount of the change in value must be credited to or (as the case may be) debited from a separate reserve ("the fair value reserve").

- (4) Where the instrument accounted for –
 - (a) is an available for sale financial asset, and
 - (b) is not a derivative,

the change in value may be credited to or (as the case may be) debited from the fair value reserve.

The fair value reserve

29F.—(1) The fair value reserve must be adjusted to the extent that the amounts shown in it are no longer necessary for the purposes of paragraph 29E(3) or (4).

(2) The treatment for taxation purposes of amounts credited to or debited from the fair value reserve shall be disclosed in a note to the accounts.”.

(2) Omit paragraph 30 (preliminary paragraph on historical cost accounting rules).

8.—(1) Chapter III (notes to the accounts) is amended as follows.

(2) After paragraph 57 insert –

“Reserves and dividends

- 57A. There must be stated –
- (a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves,
 - (b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date),
 - (c) the aggregate amount of dividends that the company is liable to pay at the balance sheet date, and
 - (d) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and not otherwise disclosed under sub-paragraph (b) or (c).”.

(3) After paragraph 65 (information supplementing the balance sheet)(a) insert –

“Information about fair value of assets and liabilities

65A.—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 29A or 29C.

(2) The items affected and the basis of valuation adopted in determining the amounts of the financial instruments must be disclosed.

(3) The purchase price of the financial instruments must be disclosed.

(4) There must be stated –

- (a) where the fair value of the instruments has been determined in accordance with paragraph 29B(4), the significant assumptions underlying the valuation models and techniques used,
- (b) for each category of financial instrument, the fair value of the instruments in that category and the changes in value –
 - (i) included 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 instruments, 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.

(a) Paragraph 65 was amended by S.R. 1997 No. 314

(5) 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 that year; and
- (c) the source and application respectively of the amounts so transferred.

65B. Where the company has derivatives that it has not included at fair value, there must be stated for each class of such derivatives –

- (a) the fair value of the derivatives in that class, if such a value can be determined in accordance with paragraph 29B, and
- (b) the extent and nature of the derivatives.

65C.—(1) Sub-paragraph (2) applies if –

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 29A,
- (b) the amount at which those assets are included under any item in the company's accounts is in excess of their fair value, and
- (c) the company has not made provision for diminution in value of those assets in accordance with paragraph 33(2).

(2) There must be stated –

- (a) the amount at which either the individual assets or appropriate groupings of those individual assets are included in the company's accounts,
- (b) the fair value of those assets or groupings, and
- (c) the reasons for not making a provision for diminution in value of those assets, including the nature of the evidence that provides the basis for the belief that the amount at which they are stated in the accounts will be recovered.

Information where investment property and living animals and plants included at fair value

65D.—(1) This paragraph applies where the amounts to be included in a company's accounts in respect of investment property or living animals and plants have been determined in accordance with paragraph 29D.

(2) The balance sheet items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in a note to the accounts.

(3) In the case of investment property, for each balance sheet item affected there must be shown, either separately in the balance sheet or in a note to the accounts –

- (a) the comparable amounts determined according to the historical cost accounting rules; or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined in accordance with that sub-paragraph are references to –

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules; and
- (b) the aggregate amount of the cumulative provisions or depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.”.

(4) In paragraph 66(1)(b) and (c) (transfers to or from provisions)(a), for “provisions for other risks and charges” substitute “provisions for other risks”.

9.—(1) Chapter IV (interpretation of Part I) is amended as follows.

(2) In paragraph 81 (general interpretation)(b), at the appropriate place, insert –

“ “investment property” means land held to earn rent or for capital appreciation;”.

(3) After paragraph 81 insert –

(a) Paragraph 66 was amended by S.R. 1997 No. 314
(b) Paragraph 81 was amended by S.I. 2001/3649

“Financial instruments

81A. For the purposes of this Part, references to “derivatives” include commodity-based contracts that give either contracting party the right to settle in cash or some other financial instrument, except when such contracts –

- (a) were entered into for the purpose of, and continue to meet, the company’s expected purchase, sale or usage requirements,
- (b) were designated for such purpose at their inception, and
- (c) are expected to be settled by delivery of the commodity.

81B.—(1) The expressions listed in sub-paragraph (2) have the same meaning in section BA of Chapter II and paragraphs 65A to 65C and 81A as they have in Council Directives 78/660/EEC on the annual accounts of certain types of companies and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings, as amended(a).

(2) Those expressions are “available for sale financial asset”, “business combination”, “commodity-based contracts”, “derivatives”, “equity instrument”, “exchange difference”, “fair value hedge accounting system”, “financial fixed asset”, “financial instrument”, “foreign entity”, “hedge accounting”, “hedge accounting system”, “hedge items”, “hedging instrument”, “held for trading purposes”, “held to maturity”, “monetary item”, “receivables”, “reliable market” and “trading portfolio”.”.

(4) In paragraph 84(c) (interpretation of references to provisions for risks and charges)(b) –

- (a) for “provisions for other risks and charges” substitute “provisions for other risks”, and
- (b) for “or loss” substitute “the nature of which is clearly defined and”.

SCHEDULE 7

Regulation 15

MINOR AND CONSEQUENTIAL AMENDMENTS

PART I

AMENDMENTS OF THE COMPANIES (NORTHERN IRELAND) ORDER 1986

1. The following minor and consequential amendments to the 1986 Order have effect.
2. In Article 162(2) (definition of “net assets” for Chapter VI of Part VI), for “provision for liabilities or charges” substitute “provision for liabilities”.
3. In Article 164(2)(b) (definition of “liabilities” for the purposes of the “net asset” test) for “or loss” substitute “the nature of which is clearly defined and”.
- 4.—(1) Article 236 (exemption for parent companies included in accounts of larger group) is amended as follows.
(2) In paragraphs (1) and (2)(a) for “a member State of the European Economic Community” substitute “an EEA State”.
- (3) In paragraph (3), omit from “listed” to the end, and substitute “admitted to trading on a regulated market of any EEA State within the meaning of Council Directive 93/22/EEC on investment services in the securities field”.
5. In Article 239(5)(b) (disclosure required in notes to accounts of undertakings excluded from consolidation)(c), omit “or (4)”.
6. Omit Article 251 (accounts of subsidiary undertakings to be appended in certain cases)(d).

(a) O.J. No. L222 of 14.8.1978, page 11, and O.J. No. L374 of 31.12.1991, page 7, as amended in particular by Article 4 of Directive 2003/51/EEC of the European Parliament and of the Council (O.J. No. L178 of 17.7.2003, page 16)

(b) Paragraph 84(c) was amended by S.R. 1997 No. 314

(c) Article 239 was inserted into the 1986 Order by Article 8 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number and paragraph (5) was amended by S.R. 1997 No. 314

(d) Article 251 was inserted into the 1986 Order by Article 13 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number

7. In Article 268 (definition of “participating interest”)(a), omit paragraph (5).

8. In Article 272(2) (restriction on distribution of assets), for “provision for liabilities or charges” substitute “provision for liabilities”.

9. In Article 273(2) (other distributions by investment companies), for “provision for liabilities or charges” substitute “provision for liabilities”.

10. In Schedule 4A (interests in subsidiary undertakings excluded from consolidation)(b), omit paragraph 18.

11. In paragraph 25 of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others), for “provisions for liabilities or charges” substitute “provisions for liabilities”.

12. In Part II of Schedule 9 (undertakings to be included in consolidation), omit paragraph 1.

PART II

AMENDMENTS OF OTHER STATUTORY PROVISIONS

13. In the Government Resources and Accounts Act (Northern Ireland) 2001(c), in –

- (a) section 9(4)(a) (accounts of government departments), and
- (b) section 14(5)(a) (whole of government accounts),

after “(accounting standards)” insert “or to the international accounting standards, within the meaning of EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19th July 2002 on the application of international accounting standards, adopted from time to time by the European Commission in accordance with that Regulation”.

(a) Article 268 was inserted into the 1986 Order by Article 24 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number and amended by S.R. 1994 No. 428 and S.R. 1997 No. 436
(b) Schedule 4A was inserted by Article 7(2) of, and Schedule 2 to, the Companies (Northern Ireland) Order 1990
(c) 2001 c. 6 (N.I.)

EXPLANATORY NOTE

(This note is not part of the Regulations.)

These Regulations amend Part VIII of the Companies (Northern Ireland) Order 1986 (“the 1986 Order”) on accounts and audit in order to –

- ensure the effective application of, and implement Member State options in, EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19th July 2002 on the application of international accounting standards (Official Journal No. L243/1 of 11th September 2002) (“the IAS Regulation”);
- implement Directive 2001/65/EC of the European Parliament and of the Council of 27th September 2001 amending Directives 78/660/EEC, 83/349/EEC and 86/635/EEC as regards the valuation rules for the annual and consolidated accounts of certain types of companies as well as of banks and other financial institutions (Official Journal No. L283/28 of 27th October 2001) (“the Fair Value Directive”);
- implement Directive 2003/51/EEC of the European Parliament and of the Council of 18th June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings (Official Journal No. L178/16 of 17th July 2003) (“the Accounts Modernisation Directive”) (with the exception of Articles 1.14, 1.17 (in part) and 2.10).

They also make certain other minor and consequential amendments to the 1986 Order and to other statutory provisions.

Part 1 of the Regulations (regulation 1) is introductory, and includes provision applying the Regulations to companies’ financial years beginning on or after 1st January 2005.

Part 2 of the Regulations (regulations 2 and 3 and Schedule 1) amends Part VIII of the 1986 Order in order to give full effect to the requirement in Article 4 of the IAS Regulation that companies whose securities are admitted to trading on a regulated market prepare their consolidated accounts in accordance with international accounting standards adopted pursuant to the Regulation. Article 4 defines regulated markets as having the meaning specified in Article 1(13) of Council Directive 93/22/EEC of 10th May 1993 on investment services in the securities field (Official Journal No. L141/27 of 11th June 1993).

Part 2 of the Regulations also implements the Member State option in Article 5 of the IAS Regulation by permitting (subject to certain conditions) –

- companies governed by Article 4 (other than charitable companies) also to prepare their individual accounts, and
- all other companies (again with the exception of charitable companies) to prepare their individual and consolidated accounts

using adopted international accounting standards (see the definition of “international accounting standards” inserted into Article 270 of the 1986 Order by paragraph 22(2)(d) of Schedule 1).

Part 3 of the Regulations (regulations 4 to 15 and Schedules 2 to 7) contains the following further modifications of Part VIII of the 1986 Order –

- regulation 4 inserts a new Article 236A conferring an exemption from the obligation to prepare group accounts on a parent company that is included in group accounts drawn up by a parent undertaking that is not established under the law of a State that is a member of the European Economic Area. This implements the Member State option in Article 11 of the 7th Council Directive 83/349/EEC of 13th June 1983 on consolidated accounts (Official Journal No. L193/1 of 18th July 1983);

- regulation 5 amends Article 237 of the 1986 Order in implementation of Article 2.6 of the Accounts Modernisation Directive. It repeals Article 237(4) which provided for a parent company to exclude a subsidiary undertaking from the parent's consolidated accounts if that undertaking's activities were so different from those of other undertakings to be included in the consolidation that its inclusion would be incompatible with the obligation to give a true and fair view;
- regulations 6 to 8 amend Articles 243, 244 and 248 of the 1986 Order on the auditors' report to implement Articles 1.15 to 1.18 and 2.11 of the Accounts Modernisation Directive;
- regulation 9 amends Article 252 of the 1986 Order to remove the ability for directors to extend by 3 months the period allowed for laying and delivering accounts and reports where the company has interests outside the United Kingdom, etc.;
- regulation 10 amends Article 253 of the 1986 Order to permit voluntary revision by directors of a company of a summary financial statement prepared under Article 259 of the 1986 Order;
- regulation 11 amends Article 259 of the 1986 Order to extend the power of the Department of Enterprise, Trade and Investment to make regulations for companies to send out summary financial statements in place of the full accounts and reports so that such regulations are capable of applying to all companies, and not just to listed companies;
- regulation 12 amends Article 266 of the 1986 Order to remove the requirement in Article 266(4) for a participating interest to exist in order for an undertaking to be a subsidiary undertaking, and otherwise to extend the circumstances in which a parent-subsidiary undertaking relationship exists. This implements Article 2.1 of the Accounts Modernisation Directive. The amendment is extended to the Building Societies Act 1986 and the Financial Services and Markets Act 2000;
- regulation 13 modifies Schedule 7 to the 1986 Order (disclosures to be made in directors' report) to implement the Fair Value Directive requirement for disclosures in relation to the use of financial instruments by a company and its subsidiary undertakings. Small companies are exempt from this requirement (see the amendment to Article 254(4) of the 1986 Order in regulation 13(2)).

Regulation 14 introduces Schedules 2 to 6 to the Regulations which amend Schedules 4 (form and content of company accounts), 8 (form and content of accounts prepared by small companies), 8A (form and content of abbreviated accounts of small companies), 9 (form and content of accounts of banking companies and groups) and 9A (form and content of accounts of insurance companies and groups) to the 1986 Order.

Paragraphs 2 and 6(2) of Schedule 2 amend the rules in Schedule 4 to the 1986 Order on the disclosure of dividends in company accounts. Equivalent amendments are made to Schedules 8, 9 and 9A to the 1986 Order by paragraphs 2 and 6(2) of Schedule 3, paragraphs 2 and 8(2) of Schedule 5 and paragraphs 2 and 8(2) of Schedule 6 respectively.

Paragraph 3 of Schedule 2 implements Article 1.2 of the Accounts Modernisation Directive by requiring that amounts be presented within items in the profit and loss account and balance sheet having regard to the substance of the reported transaction. Equivalent amendments are made to Schedules 8, 9 and 9A to the 1986 Order by paragraphs 3 of Schedules 3, 5 and 6.

Paragraphs 4, 5(2), 6(4), 7(2) and 8(4) of Schedule 2 implement Articles 1.4, 1.5, 1.7, 1.9 and 1.11 of the Accounts Modernisation Directive by making minor changes to the terminology of the 1986 Order relating to "provisions". Equivalent amendments are made to Schedules 8, 8A, 9 and 9A to the 1986 Order by paragraphs 4, 5(2), 6(4) and 7(4) of Schedule 3, paragraph 2 of Schedule 4, paragraphs 4, 5, 8(4) and 9(4) of Schedule 5 and paragraphs 4, 5, 8(4) and 9(4) of Schedule 6 respectively.

Paragraph 5(4) of Schedule 2 inserts a new section D in Part II of Schedule 4 to the 1986 Order in order to implement the Fair Value Directive and Article 1.12 of the Accounts Modernisation Directive. New section D permits a company to include certain financial instruments (including derivatives), and investment property, living animals and plants in its accounts at fair value. It specifies –

- the type of financial instrument and other assets that may be fair valued,
- the methods for determining fair value,
- how assets and liabilities that qualify as hedged items under a fair value hedge accounting system are to be accounted for, and
- how changes in the value of financial instruments are to be accounted for.

Paragraph 6(3) of Schedule 2 requires information about fair valuation of financial instruments investment property and living animals and plants to be given in the notes to a company's accounts, including where a company has chosen not to fair value its financial instruments. Paragraph 8(2) and (3) inserts definitions of relevant terms.

Equivalent modifications on fair valuation are made to –

- Schedule 8 and 8A (small company accounts – see paragraphs 5(4), 6(3), 7(2) and 7(3) of Schedule 3 and paragraph 3 of Schedule 4),
- Schedule 9 (banking company accounts – see paragraphs 6, 7, 8(3), 9(2) and 9(3) of Schedule 5), and
- Schedule 9A (insurance company accounts – see paragraphs 6, 7, 8(3), 9(2) and 9(3) of Schedule 6).

Finally, regulation 15 of, and Schedule 7 to, the Regulations make minor and consequential amendments to the 1986 Order and to other statutory provisions.

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