

## SCHEDULE 2

Article 7

### PART I

#### GENERAL TRANSITIONAL AND SAVING PROVISIONS General Rules

1.—(1) The provisions of this paragraph have effect, in addition to the provisions of the Interpretation Act 1978, for securing the continuity of the law so far as Part I of the 1989 Act re-enacts (with or without modification) provisions of the old Part VII in the new Part VII.

(2) References (express or implied) in a provision of the new Part VII or in any other enactment (including in any subordinate legislation within the meaning of section 21(1) of the Interpretation Act 1978) to any provision of the new Part VII shall, so far as the context permits, be construed as including, in connection with a relevant financial year of a company or otherwise in connection with events, circumstances or purposes occurring before the coming into force of the provisions of the 1989 Act, a reference to the corresponding provision of the old Part VII.

(3) Where an offence has been committed for the continuance of which a penalty was provided for under any provision of the old Part VII, proceedings may be taken under the corresponding provision of the new Part VII in respect of the continuance of the offence on and after 1st April 1990 in the like manner as if the offence had been committed under the corresponding provision.

(4) Where any period of time specified in any provision of the old Part VII is current immediately prior to 1st April 1990, and there is a corresponding provision of the new Part VII, the new Part VII shall have effect as if that corresponding provision had been in force when that period began to run.

(5) The provisions of this paragraph have effect subject to any specific transitional or saving provisions made by this Order.

#### **Application of section 245 of the old Part VII**

2. Section 245 of the old Part VII shall have effect for any financial year of a company other than a relevant financial year as if the references in sub-section (2) thereof to sections 229(5) to (7) and section 230 were references to sections 227, 231 and 232 of the new Part VII and to paragraph 3 of this Schedule.

#### **Insurance groups**

3.—(1) Notwithstanding any provision of the new Part VII, the directors of the parent company of an insurance group (within the meaning of section 255A(4) thereof) which is required by section 227 thereof to prepare group accounts may prepare those accounts for any financial year ending prior to 1st January 1994 in other than consolidated form, if:

- (a) an undertaking within the group is authorised to carry on both long term and general business (those expressions having the meaning ascribed to them by section 1 of the Insurance Companies Act 1982<sup>(1)</sup>) or the group comprises one or more undertakings authorised to carry on long term business and one or more undertakings authorised to carry on general business; and
- (b) that form would have been permitted by section 229(6) of the old Part VII.

(2) Where the parent company of an insurance group takes advantage of sub-paragraph (1), the provisions of the new Part VII shall apply with respect to such alternate-form group accounts (and in particular their content) with any necessary modifications as a consequence of their being other than in consolidated form.

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(1) 1982 c. 50.

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(3) The provisions of this paragraph take effect subject to Part II of this Schedule.

**Section 224 (Accounting reference periods and accounting reference date)**

4. A company incorporated prior to 1st October 1989 shall not be entitled to serve a notice under section 224(2) of the new Part VII.

**Section 231 (Disclosure required in notes to accounts: related undertakings)**

5. Where a company has, prior to 1st April 1990, obtained the agreement of the Secretary of State under paragraphs 3, 10 or 21 of Schedule 5 of the old Part VII to the non-disclosure in the company's accounts, for certain accounting reference periods, of the information referred to in those paragraphs, it need not comply with the requirements of section 231(4) of the new Part VII in relation to its annual accounts for those periods.

**Schedule 4: Paragraph 34 (Revaluation reserve)**

6. The amendments made by paragraph 6 of Schedule 1 to the 1989 Act to paragraph 34 of Schedule 4 to the 1985 Act shall not be construed as requiring the reinstatement of any amount to the revaluation reserve with respect to any reduction of that reserve which took place in a financial year of a company prior to the first financial year for which the company is required to prepare accounts under the new Part VII.

**Schedule 4A: Paragraphs 7 to 12 (Acquisition and merger accounting)**

- 7.—(1) Paragraphs 7 to 12 of Schedule 4A of new Part VII shall not be construed as requiring:
- (a) an old acquisition accounted for by way of the merger method of accounting to be accounted for by the acquisition method; or
  - (b) the re-calculation of any set-off made with respect to an old acquisition or as requiring any re-assessment of the values at which any assets or liabilities acquired as a result of such an acquisition are included in the group accounts.

(2) For the purposes of sub-paragraph (1), an “old acquisition” is an acquisition of a subsidiary undertaking which has been accounted for, in group accounts which a company was required to prepare for a financial year under old Part VII, by way of the merger method or acquisition method of accounting as recognised by generally accepted accounting principles or practice at the time.

8.—(1) This paragraph has effect with respect to the application of paragraph 9 of Schedule 4A of the new Part VII to an existing subsidiary undertaking which is required to be included by way of full consolidation in a company's group accounts under new Part VII, but which has not previously been so included in any group accounts prepared by the company under old Part VII.

(2) Where, for the purposes of paragraph 9(2) of Schedule 4A, the information needed to calculate the fair values of the identifiable assets and liabilities of the existing subsidiary undertaking is not available or cannot be obtained without unreasonable expense or delay, the calculation may be based upon the earliest recorded values of those assets and liabilities available after the date of the acquisition, provided that the notes to the accounts disclose the date of the valuations used.

(3) Where the information needed to calculate the set-off required by paragraph 9(4) of Schedule 4A is not available or cannot be obtained without unreasonable expense or delay, the calculation may be based upon the earliest recorded information available after the date of the acquisition, provided that the notes to the accounts disclose the date of the information used.

(4) For the purposes of this paragraph, an existing subsidiary undertaking is one acquired by a company during a financial year prior to the first financial year for which it is required to prepare accounts under the new Part VII.

#### **Schedule 4A: Paragraph 14 (Disclosure of goodwill written off)**

9. In the case of acquisitions made prior to 23rd December 1989, no amount need be included in any figure required to be disclosed under paragraph 14 of Schedule 4A of the new Part VII, or (if all relevant acquisitions were made prior to that date) no figure need be disclosed, if the information necessary to calculate the amount or figure with material accuracy is unavailable or cannot be obtained without unreasonable expense and delay, provided it is disclosed in the notes to the accounts that an amount has not been included or the figure has not been disclosed on these grounds.

#### **Schedule 4A: Paragraph 19 (Joint ventures)**

10.—(1) Paragraph 19(2) of Schedule 4A of the new Part VII shall not be construed as requiring the recalculation of any set-off made with respect to an old joint venture or as requiring any re-assessment of the values at which any assets or liabilities of the old joint venture are included in the group accounts.

(2) For the purposes of sub-paragraph (1), an “old joint venture” is a joint venture, within the meaning of paragraph 19(1) of Schedule 4A, which has been accounted for by the method of proportional consolidation in group accounts which a company was required to prepare for a financial year under the old Part VII.

#### **Schedule 4A: Paragraphs 18 and 22 (Subsidiaries excluded from consolidation and associated undertakings)**

11.—(1) This paragraph has effect with respect to the application of paragraphs 18 and 22 of Schedule 4A of the new Part VII to an existing undertaking which is required to be included by way of the equity method in a company’s group accounts under new Part VII, but which has not previously been so included (or included by way of full consolidation) in any group accounts prepared by the company under old Part VII.

(2) Where the information needed to make any calculation required by the equity method in connection with an existing undertaking is not available or cannot be obtained without unreasonable expense or delay, the calculation may be based upon the earliest recorded information available after the date of the acquisition of the appropriate interest in the undertaking concerned, provided that the notes to the accounts disclose the date of the information used.

(3) For the purposes of this paragraph, an “existing undertaking” is an associated or subsidiary undertaking the appropriate interest in which was acquired during a financial year prior to the first financial year for which a company is required to prepare accounts under the new Part VII.

#### **Saving provision for section 69 of the Local Government and Housing Act 1989**

12. The repeal of paragraph 77 of Schedule 4 of the old Part VII shall be treated as not having been made to the extent necessary to give full force and effect to section 69(4) of the Local Government and Housing Act 1989(2).

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(2) 1989 c. 42.

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## PART II

### TRANSITIONAL AND SAVING PROVISIONS WITH RESPECT TO ACCOUNTS AND REPORTS FOR RELEVANT FINANCIAL YEARS

#### General Rules

**13.**—(1) Subject to the exceptions set out in paragraph 14 below:

- (a) the provisions of the old Part VII shall continue to have effect with respect to a relevant financial year of a company, and in particular a company's accounts (within the meaning of section 239 of the old Part VII) for a relevant financial year; and
- (b) the provisions of the new Part VII shall not have effect with respect to such a financial year or, in particular, such accounts.

#### Provisions of new Part VII to be applicable with respect to any financial year

**14.**—(1) In so far as paragraph 13 would otherwise to any extent disapply sections 221, 222, 256 or 257 of the new Part VII or continue in force sections 221 to 223 and 256 of the old Part VII, it shall not do so.

(2) Subject to the provisions of this Part of this Schedule, the following sections of the new Part VII, together with any other provision of the 1985 Act (as amended by the 1989 Act) to the extent necessary for their interpretation or operation, shall, notwithstanding paragraph 13, have effect, as from 1st April 1990, with respect to any financial year of a company:

- (a) sections 223 to 225 (which shall have effect, in so far as they apply with respect to a relevant financial year, in place of sections 224 to 226 of the old Part VII);
- (b) section 239 (which shall have effect, in so far as it applies with respect to a relevant financial year, in place of section 246 of the old Part VII);
- (c) section 240 (which shall have effect, in so far as it applies with respect to a relevant financial year, in place of sections 254 and 255 of the old Part VII);
- (d) section 251; and
- (e) sections 252 and 253.

#### Sections 223 and 225

**15.** Sections 223 and 225 shall have effect with respect to a relevant financial year as if the references:

- (a) in section 223(5) to “parent company” and “subsidiary undertakings” were references to “holding company” and “subsidiaries” respectively; and
- (b) in section 225(2) and (4) to “parent undertaking” and “subsidiary undertaking” were references to “holding company” and “subsidiary” respectively, within the meaning of section 736 of the 1985 Act as unamended by the 1989 Act.

#### Section 239

**16.** Section 239 shall have effect with respect to a relevant financial year as if the reference in sub-section (1) thereof to a copy of the company's last annual accounts and directors' report and a copy of the auditors' report on those accounts was a reference to the documents referred to in section 239 of the old Part VII and as if the reference to section 238 in sub-section (2) thereof was a reference to section 240 of the old Part VII.

## **Section 240**

17.—(1) Section 240 shall apply with respect to accounts for a relevant financial year as if:

- (a) the references in sub-sections (1) and (3) thereof to section 235 were to sections 236 and (where appropriate) 262 of the old Part VII;
- (b) the reference in sub-section (3)(d) thereof to section 237(3) was a reference to section 237(4) of the old Part VII;
- (c) the reference in sub-section (5) thereof to section 242 was a reference to section 241(3) of the old Part VII; and
- (d) as if the word “subsidiaries” (within the meaning of section 736 of the 1985 Act as unamended by the 1989 Act) was substituted for the words “subsidiary undertakings” in sub-section (5)(b).

(2) Accounts delivered to the registrar in modified form in reliance on sections 247 to 251 of the old Part VII shall be regarded as statutory accounts for the purposes of section 240, and references in that section to the auditors' report under section 235 shall be read, in relation to accounts so delivered, as references to the special report under paragraph 10 of Schedule 8 to old Part VII.

## **Section 251**

18. Section 251 shall apply with respect to a relevant financial year as if:

- (a) the references in sub-sections (1) and (2) thereof to section 238(1) were references to section 240(1) of the old Part VII;
- (b) the references therein to the company's annual accounts were references to the documents referred to in section 239(a) and (d) of the old Part VII; and
- (c) the reference in sub-section 4(d) thereof to section 237(3) was a reference to section 237(4) of the old Part VII.

## **Sections 252 and 253**

19. Sections 252 and 253 shall apply with respect to a relevant financial year as if:

- (a) the references therein to section 238(1) were references to section 240(1) of the old Part VII;
- (b) the reference in section 252(3)(a) to section 235(1) was a reference to section 236(1) of the old Part VII;
- (c) the reference in section 252(4) to section 241 was a reference to section 241(1) of the old Part VII; and
- (d) the reference in section 253(1) to section 238(5) was a reference to section 240(5) of the old Part VII.