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STATUTORY INSTRUMENTS

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**2019 No. 685**

The International Accounting Standards and  
European Public Limited-Liability Company  
(Amendment etc.) (EU Exit) Regulations 2019

PART 2

Adoption of international accounting standards

CHAPTER 1

Interpretation

**Interpretation of this Part**

3. In this Part—

“international accounting standards” has the meaning given by Article 2 of Regulation [\(EC\) No 1606/2002](#) of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards;

“publish” means to make available free of charge on a publicly accessible website;

“UK-adopted international accounting standards” has the meaning given by section 474(1) of the Companies Act 2006;

“undertaking” has the same meaning as in section 1161(1) of the Companies Act 2006(1).

CHAPTER 2

International accounting standards on exit day

**International accounting standards in the UK on exit day**

4. The international accounting standards adopted for use within the United Kingdom on exit day are those which were contained in [Commission Regulation \(EC\) No. 1126/2008](#) of 3 November 2008 adopting certain international accounting standards in accordance with Regulation [\(EC\) No. 1606/2002](#) of the European Parliament and of the Council on the application of international accounting standards(2), as it had effect immediately before exit day.

CHAPTER 3

The functions of the Secretary of State

**Responsibility for adoption of international accounting standards**

5. The Secretary of State is responsible for—

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(1) [2006 c. 46](#).

(2) [OJ No. L 320, 29.11.2008, p.1, last amended by OJ No. L 87, 03.04.2018, p.3.](#)

- (a) the adoption of international accounting standards for use within the United Kingdom, with a view to harmonising the financial information presented by the companies required by section 403(1) of the Companies Act 2006 to prepare their accounts in accordance with UK-adopted international accounting standards, in order to ensure—
  - (i) a high degree of transparency and international comparability of financial statements; and
  - (ii) the efficient allocation of capital, including the smooth functioning of capital markets in the United Kingdom; and
- (b) participating in and contributing to the development of a single set of international accounting standards.

### **Power of the Secretary of State to adopt international accounting standards**

**6.—**(1) The Secretary of State may adopt international accounting standards for use within the United Kingdom, in accordance with regulations 7 and 8.

(2) In exceptional circumstances, the Secretary of State may exercise the power to adopt international accounting standards in accordance with paragraph (3) or (4).

(3) Where the effect of regulation 7 is that an international accounting standard taken as a whole cannot be adopted, the Secretary of State may adopt an international accounting standard in part only, provided that—

- (a) those parts of the standard which are not adopted are—
    - (i) severable from the standard so that the rest of the standard is operational;
    - (ii) severed only to the extent necessary to enable adoption of the rest of the standard for use within the United Kingdom; and
  - (b) adoption of that part of the standard would be in compliance with regulation 7.
- (4) Where there is an option available as part of the standard, the Secretary of State may—
- (a) make provision in the standard to extend the scope of undertakings eligible to use that option; and
  - (b) make such extension of scope subject to an undertaking meeting criteria specified by the Secretary of State.

### **Basis for adoption of international accounting standards**

**7.—**(1) The Secretary of State may only adopt an international accounting standard under regulation 6 if the Secretary of State is of the view that, in relation to the form of the standard the Secretary of State intends to adopt—

- (a) the standard is not contrary to either of the following principles—
  - (i) an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;
  - (ii) consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;
- (b) the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and
- (c) the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

(2) In deciding whether the use of a standard is likely to be conducive to the long term public good in the United Kingdom, the Secretary of State must have regard, in particular, to the following matters—

- (a) whether the use of the standard is likely to improve the quality of financial reporting;
- (b) the costs and benefits that are likely to result from the use of the standard; and
- (c) whether the use of the standard is likely to have an adverse effect on the economy of the United Kingdom, including on economic growth.

(3) The Secretary of State may, by regulations made by statutory instrument, amend paragraph (2).

(4) Regulations made under paragraph (3) are subject to annulment in pursuance of a resolution of either House of Parliament.

#### **Adoption of standards: consultation**

8. Before adopting an international accounting standard under regulation 6, the Secretary of State must consult such persons as the Secretary of State considers to be representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts.

#### **Consideration of standards: publication requirements**

9.—(1) The Secretary of State must publish the final decision in relation to any standard which the Secretary of State has considered for adoption under regulation 6, giving reasons for any decision to—

- (a) adopt the standard in whole;
- (b) adopt the standard in part;
- (c) extend the scope of undertakings eligible to use an option in the standard; or
- (d) not adopt the standard.

(2) Where the Secretary of State adopts a standard under regulation 6, the Secretary of State must publish within 3 working days, beginning with the day after the day that the standard is adopted—

- (a) a statement that the standard has been adopted;
- (b) the wording of the adopted standard;
- (c) where the scope of undertakings eligible to use an option in the standard has been extended, a statement that that this has been done, setting out the full details; and
- (d) a description of the financial years in respect of which that standard must be used.

(3) The Secretary of State must maintain and publish a consolidated text of UK-adopted international accounting standards, which must be kept up to date.

(4) Information required to be published under paragraphs (1), (2) and (3) must be published on the same website.

(5) In this regulation, “working day” means any day other than—

- (a) Saturday or Sunday;
- (b) Christmas Day or Good Friday; or
- (c) a day which is a bank holiday under the Banking and Financial Dealings Act 1971(3) in any part of the United Kingdom.

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(3) 1971 c. 80. See section 1 and Schedule 1 for the definition of “bank holiday”. Schedule 1 was amended by section 1 of the St Andrew’s Day Bank Holiday (Scotland) Act 2007 (asp. 2). There are other amendments but none is relevant.

### **Certification**

**10.**—(1) The production of a printed copy of an international accounting standard purported to have been adopted by the Secretary of State on which is endorsed a certificate signed by the Secretary of State and stating—

- (a) that the international accounting standard was adopted by the Secretary of State,
- (b) that the copy is a true copy of the adopted standard,

is evidence (or, in Scotland, sufficient evidence) of the facts stated in the certificate.

(2) A certificate purporting to be signed as mentioned in paragraph (1) is to be deemed to have been duly signed unless the contrary is shown.

(3) Any person wishing in any legal proceedings to cite an international accounting standard adopted by the Secretary of State may require the Secretary of State to cause a copy of it to be endorsed with such a certificate as is mentioned in this regulation.

### **Periodic review by Secretary of State of impact of adopted standard**

**11.**—(1) The Secretary of State must publish a statement setting out the Secretary of State's policy on what amounts to a significant change in accounting practice, and must keep this policy statement under review.

(2) Paragraphs (3) and (4) apply in relation to the adoption of any standard by the Secretary of State under regulation 6 which the Secretary of State considers likely to lead to a significant change in accounting practice.

(3) The Secretary of State must—

- (a) carry out a review of the impact of the adoption of the standard; and
- (b) publish a report setting out the conclusions of the review no later than 5 years after the date on which the standard takes effect (being the first day of the first financial year in respect of which it must be used).

(4) The Secretary of State may carry out subsequent reviews from time to time, and in the event of doing so the Secretary of State must publish a report setting out the conclusions of any review conducted.

### **Secretary of State's duty to report to Parliament**

**12.** The Secretary of State must lay a report before Parliament reporting on the carrying out of the Secretary of State's responsibilities under these Regulations within one year of the coming into force of these Regulations, and lay a further report for every subsequent year.

## **CHAPTER 4**

### **Power for Secretary of State to delegate adoption function**

### **Delegation of the Secretary of State's functions**

**13.**—(1) The Secretary of State may make regulations under this regulation ("delegation regulations") for the purpose of enabling functions of the Secretary of State under Chapter 3 of this Part to be exercised by a body designated by the regulations.

(2) The body designated may be a body corporate or an unincorporated association, and must already be in existence at the time the delegation regulations are made.

(3) Delegation regulations have the effect of making the body designated by the regulations designated under section 5 of the Freedom of Information Act 2000(4) (further powers to designate public authorities).

(4) Delegation regulations have the effect of transferring to the body designated by them all functions of the Secretary of State under Chapter 3 of this Part subject to such exceptions and reservations as may be specified in the regulations.

(5) Delegation regulations may confer on the body designated by them such other functions supplementary or incidental to those transferred as appear to the Secretary of State to be appropriate.

(6) Delegation regulations may be amended or, if it appears to the Secretary of State that it is no longer in the public interest that the regulations should remain in force, revoked by further regulations under this regulation.

(7) Where functions are transferred or resumed, the Secretary of State may by regulations confer or, as the case may be, take away such other functions supplementary or incidental to those transferred or resumed as appear to him to be appropriate.

(8) Regulations under this regulation which have the effect of transferring or resuming any functions must not be made unless a draft has been laid before Parliament and approved by a resolution of each House of Parliament.

(9) Any other regulations made under this regulation are subject to annulment in pursuance of a resolution of either House of Parliament.

**14.—**(1) The Secretary of State's power to make delegation regulations under regulation 13 is exercisable in accordance with this regulation.

(2) The Secretary of State may make delegation regulations designating a body only if it appears to him that—

- (a) the body is able and willing to exercise the functions that would be transferred by the regulations, and
- (b) the body has arrangements in place relating to the exercise of those functions which are such as to be likely to ensure that the conditions in paragraph (3) are met.

(3) The conditions are—

- (a) that the functions in question will be exercised effectively, and
- (b) where the delegation regulations are to contain any requirements or other provision specified under paragraph (4), that those functions will be exercised in accordance with any such requirements or provisions.

(4) The delegation regulations may contain such requirements or other provision relating to the exercise of the functions by the designated body as appear to the Secretary of State to be appropriate.

## CHAPTER 5

### Supplementary provisions with respect to delegation

#### **Operation of this Chapter**

**15.—**(1) This Chapter has effect in relation to a body designated by delegation regulations under regulation 13.

(2) Any power conferred by this Chapter (2) to make provision by regulations is a power to make provision by regulations under regulation 13.

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(4) 2000 c. 36. Section 5 was amended by S.I. 2003/1887, 2015/1897 and 2016/997.

**Status**

16. The body is not to be regarded as acting on behalf of the Crown and its members, officers and employees are not to be regarded as Crown servants.

**Reporting by the body**

17.—(1) The body must, at least once in each calendar year for which the delegation regulations are in force, make a report to the Secretary of State on—

- (a) the discharge of the functions transferred to it, and
- (b) such other matters as the Secretary of State may by regulations require.

(2) Delegation regulations may modify paragraph (1) as it has effect in relation to the calendar year in which the regulations come into force or are revoked.

(3) The Secretary of State must lay before Parliament copies of each report received under this paragraph.

**Other supplementary provisions**

18.—(1) The transfer of a function to a body designated by delegation regulations does not affect anything previously done in the exercise of the function transferred; and the resumption of a function so transferred does not affect anything previously done in exercise of the function resumed.

(2) The Secretary of State may by regulations make such transitional and other supplementary provision as the Secretary of State thinks necessary or expedient in relation to the transfer or resumption of a function.

(3) The provision that may be made in connection with the transfer of a function includes, in particular, provision—

- (a) for applying to the body designated by the delegation regulations, in connection with the function transferred, any provision applying to the Secretary of State which is contained in or made under any other enactment;
- (b) for the transfer of any property, rights or liabilities from the Secretary of State to that body;
- (c) for the carrying on and completion by that body of anything in the process of being done by the Secretary of State when the regulations take effect;
- (d) for the substitution of that body for the Secretary of State in any instrument, contract or legal proceedings.

(4) The provision that may be made in connection with the resumption of a function includes, in particular, provision—

- (a) for the transfer of any property, rights or liabilities from that body to the Secretary of State;
- (b) for the carrying on and completion by the Secretary of State of anything in the process of being done by that body when the regulations takes effect;
- (c) for the substitution of the Secretary of State for that body in any instrument, contract or legal proceedings.

## CHAPTER 6

### Consequential amendments, revocations and transitional provision relating to the adoption of international accounting standards

#### **Consequential amendments and transitional provision relating to the adoption of international accounting standards**

19. Schedule 1 has effect.

#### **Revocations and transitional provision**

20.—(1) Schedule 2 has effect and the instruments listed in that Schedule are revoked, subject to paragraph (2).

(2) Any provisions in the instruments listed in Schedule 2 concerning the application of international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards<sup>(5)</sup> before exit day, apply to the international accounting standards adopted by virtue of regulation 3 as they applied to the international accounting standards adopted by the Commission.

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(5) OJ No. L 320, 29.11.2008, p.1, last amended by OJ No. L 87, 03.04.2018, p.3.