
STATUTORY RULES OF NORTHERN IRELAND

2001 No. 153

COMPANIES

**Companies (1986 Order) (Audit Exemption)
(Amendment) Regulations (Northern Ireland) 2001**

Made - - - - 3rd April 2001

Laid before the Assembly in draft

Coming into operation 13th April 2001

The Department of Enterprise, Trade and Investment⁽¹⁾, in exercise of the powers conferred by Article 265 of the Companies (Northern Ireland) Order 1986⁽²⁾ and now vested in it and of every other power enabling it in that behalf, hereby makes the following Regulations:

Introduction

Citation, application and interpretation

1.—(1) These Regulations may be cited as the Companies (1986 Order) (Audit Exemption) (Amendment) Regulations (Northern Ireland) 2001 and shall come into operation on 13th April 2001.

(2) These Regulations apply to annual accounts and reports in respect of financial years ending on or after 13th June 2001.

(3) In these Regulations, “1986 Order” means the Companies (Northern Ireland) Order 1986, and references to Articles or Schedules are to Articles of or Schedules to the 1986 Order.

Audit Exemption

Modification of Article 257A

2.—(1) Article 257A (exemptions from audit for certain categories of small company)⁽³⁾ is modified as follows.

(2) In paragraph (3b) and (3A)(b), for “£350,000” substitute “£1 million”.

(3) In paragraph (6A), for “Article 258(1)”, substitute “Article 257AA(1)”.

(1) S.I. 1999/283 (N.I. 1)

(2) 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

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

Insertion of new Article 257AA

3. The following Article shall be inserted after Article 257A.

“Dormant Companies

257AA.—(1) Subject to Article 257B(2) to (5), a company is exempt from the provisions of this Part relating to the audit of accounts in respect of a financial year if—

- (a) it has been dormant since its formation, or
- (b) it has been dormant since the end of the previous financial year and paragraph (2) applies.

(2) This paragraph applies if the company—

- (a) is entitled in respect of its individual accounts for the financial year in question to prepare accounts in accordance with Article 254, or would be so entitled but for the application of Article 255A(1)(a)(i) or (b), and
- (b) is not required to prepare group accounts for that year.

(3) Paragraph (1) does not apply if at any time in the financial year in question the company was—

- (a) a banking or insurance company, or
- (b) an authorised person for the purposes of the Financial Services Act 1986.

(4) A company is “dormant” during any period in which it has no significant accounting transaction.

(5) “Significant accounting transaction” means a transaction which—

- (a) is required by Article 229 to be entered in the company’s accounting records; but
- (b) is not a transaction to which paragraph (6) or (7) applies.

(6) This paragraph applies to a transaction arising from the taking of shares in the company by a subscriber to the memorandum as a result of an undertaking of his in the memorandum.

(7) This paragraph applies to a transaction consisting of the payment of—

- (a) a fee to the registrar on a change of name under Article 38 (change of name),
- (b) a fee to the registrar on the re-registration of a company under Part III (re-registration as a means of altering a company’s status),
- (c) a penalty under Article 250A (penalty for failure to deliver accounts), or
- (d) a fee to the registrar for the registration of an annual return under Chapter III of Part XII.”.

Modification of Article 257B

4.—(1) Article 257B (cases where exemption from audit not available)(4) is modified as follows.

(2) In paragraph (1A), for “Article 258” substitute “Article 257AA”.

(3) In paragraph (1C)—

- (a) in sub-paragraph (a), after “Article 257” insert “(or if all bodies corporate in such group were companies, would so qualify)”, and
- (b) in sub-paragraph (b)—

(4) Article 257B was inserted into the 1986 Order by regulation 2 of S.R. 1995 No. 128, and amended by regulation 9 of S.R. 1997 No. 314 and regulation 3 of S.R. 1997 No. 500

- (i) after “Article 257) is” insert “, where the company referred to in paragraph (1B) is a charity,”, and
 - (ii) after “(or £420,000 gross)” insert “or, where the company so referred to is not a charity, not more than £1 million net (or £1.2 million gross)”
- (4) In paragraph (3), after “Article 257A” insert “or by paragraph (1) of Article 257AA”.
- (5) In paragraph (4)—
- (a) after “paragraph (1) or (2) of Article 257A”, insert “or by paragraph (1) of Article 257AA”,
 - (b) in sub-paragraph (a), omit “(as the case may be)”, and after “Article 257A” insert “or paragraph (1) of Article 257AA”, and
 - (c) for sub-paragraph (b) substitute—
 - “(b) to the effect that members have not required the company to obtain an audit of its accounts for the year in question in accordance with paragraph (2), and”.

Disclosure where Dormant Company Acting as Agent

Additional disclosures in notes to accounts

- 5.—(1) Schedule 4 (form and content of company accounts)(5) is amended as follows.
- (2) After paragraph 58 insert—

“Dormant companies acting as agents

58A. Where the directors of a company take advantage of the exemption conferred by Article 257AA, and the company has during the financial year in question acted as an agent for any person, the fact that it has so acted must be stated.”.

- 6.—(1) Schedule 8 (form and content of accounts prepared by small companies)(6) is amended as follows.

- (2) After paragraph 51 insert—

“Dormant companies acting as agents

51A. Where the directors of a company take advantage of the exemption conferred by Article 257AA, and the company has during the financial year in question acted as an agent for any person, the fact that it has so acted must be stated.”.

- 7.—(1) Schedule 8A (form and content of abbreviated accounts of small companies delivered to registrar)(7) is amended as follows.

- (2) After paragraph 9 insert—

“Dormant companies acting as agents

9A. Where the directors of a company take advantage of the exemption conferred by Article 257AA, and the company has during the financial year in question acted as an agent for any person, the fact that it has so acted must be stated.”.

(5) Schedule 4 was amended by Article 6(2) of, and Schedule 1 to, the Companies (Northern Ireland) Order 1990, and by regulation 13(1) of, and Schedule 1 to, [S.R. 1997 No. 314](#)

(6) Schedule 8 was substituted by regulation 2(2) of, and Schedule 1 to, [S.R. 1997 No. 436](#)

(7) Schedule 8A was inserted into the 1986 Order by regulation 2(3) of, and Schedule 2 to, [S.R. 1997 No. 436](#)

Minor and consequential amendments

8.—(1) In paragraph (9) of Article 254 (special provisions for small companies)(8), for the words from “the company” to the end, substitute “the directors of the company have taken advantage of the exemption from audit conferred by Article 257AA (dormant companies)”.

(2) In paragraph (1) of Article 255B (special auditors' report)(9)—

- (a) in sub-paragraph (b), after “Article 257A(1) or (2)” insert “or Article 257AA”,
- (b) omit “and” at the end of sub-paragraph (b), and
- (c) omit sub-paragraph (c).

(3) In paragraph (3) of Article 257C (the report required for the purposes of Article 257A(2))(10), omit from “(or, where the company is a charity, to “that Article)”.

(4) In paragraph (1) of Article 257E (effect of audit exemptions)(11), after “Article 257A(1)” insert “or 257AA(1)”.

(5) After paragraph (1) of Article 257E insert—

“(1A) Where the directors of a company have taken advantage of the exemption conferred by Article 257AA, then for the purposes of that Article the company shall be treated as a company entitled to prepare accounts in accordance with Article 254 even though it is a member of an ineligible group.”.

(6) Article 258 (resolution not to appoint auditors)(12) is hereby repealed.

(7) In paragraph 4(a) of Article 297 (particulars of directors to be registered under Article 296)(13), for “Article 258(3)” substitute “Article 257AA(4)”.

(8) In paragraph (2) of Article 394 (election by private company to dispense with annual appointment of auditors)(14), for paragraph (a) substitute—

“(a) the directors of the company have taken advantage of the exemption conferred by Article 257A or 257AA, or”.

(9) In paragraph (1) of Article 396A (certain companies exempt from obligation to appoint auditors)(15) for “Article 258” substitute “Article 257AA”.

(10) In paragraph 2(2)(a) of Schedule 1 (particulars of directors etc to be contained in statement under Article 21)(16), for “Article 258(3)” substitute “Article 257AA(4)”.

(8) Article 254 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. It was consequently substituted by regulation 2 of S.R. 1997 No. 436 and amended by regulation 6(1) of S.R. 1997 No. 545

(9) Article 255B was inserted into the 1986 Order by regulation 5 of S.R. 1997 No. 436

(10) Article 257C was inserted into the 1986 Order by regulation 2 of S.R. 1995 No. 128 and amended by regulation 7 of S.R. 1997 No. 436

(11) Article 257E was inserted into the 1986 Order by regulation 2 of S.R. 1995 No. 128

(12) Article 258 was inserted into the 1986 Order by Article 16 of the Companies (Northern Ireland) Order 1990 in place of an existing Article of that number, and amended by regulation 2 of S.R. 1993 No. 220, regulation 10 of S.R. 1997 No. 314, and regulation 7(4) of S.R. 1997 No. 436

(13) Article 297 was amended by Article 25 of, and paragraph 11 of Schedule 10 to, the Companies (Northern Ireland) Order 1990 and by Article 78 of, and paragraph 2 of Schedule 5 to the Companies (No. 2) (Northern Ireland) Order 1990 (S.I. 1990/1504) (N.I. 10)

(14) Article 394 was inserted into the 1986 Order by Articles 53 and 54(1) of the Companies (No. 2) (Northern Ireland) Order 1990 in place of an existing Article of that number

(15) Article 396A was inserted into the 1986 Order by Articles 53 and 54(1) of the Companies (No. 2) (Northern Ireland) Order 1990, and subsequently substituted by Regulation 3 of S.R. 1995 No. 128

(16) Paragraph 2 of Schedule 1 to the 1986 Order was amended by Article 25 of, and paragraph 20 of Schedule 10 to, the Companies (Northern Ireland) Order 1990

Sealed with the Official Seal of the Department of Enterprise, Trade and Investment on 3rd April 2001.

L.S.

Sir Reg Empey
Minister for Enterprise, Trade and Investment

EXPLANATORY NOTE

(This note is not part of the Regulations.)

1. These Regulations amend provisions in Part VIII of the Companies (Northern Ireland) Order 1986 (“the 1986 Order”) concerning—

- the exemption of certain small companies from the requirement to have their annual accounts audited, and
- the conditions a company must satisfy in order to qualify as dormant

The amendments effected by the Regulations will apply to annual accounts and reports in respect of financial years ending on or after 13th June 2001 (regulation 1(2)).

2. Regulation 2 increases the turnover limit in Article 257A(3)(b) of the 1986 Order which a small company other than a small charitable company must not exceed in respect of a financial year if it is to be exempt from audit. The turnover limit is increased from £350,000 to £1 million (for small charitable companies the gross income limit remains at £90,000).

3. Regulation 4(3)(b) increases the turnover limit for a group to qualify as a small group for the purposes of Article 257B(1C) from £350,000 net (£420,000 gross) to £1 million net (£1.2 million gross) (the limit as it applies in relation to small charitable companies remains unchanged). A company which would otherwise be disqualified from claiming exemption from audit under Article 257A for a financial year because it was a parent company or subsidiary undertaking for any period in that year, may nevertheless claim the exemption if it is a member of a small group which satisfies the conditions specified in Article 257B(1C). Regulation 4(3)(a) amends Article 257B(1C)(a) to provide for the exemption from audit for small groups to apply to groups where not all the bodies in the group are companies within the meaning of Article 3 of the 1986 Order.

4. Regulation 3 inserts a new Article 257AA making provision for dormant companies to replace that in Article 258 (which is repealed by regulation 8(6)). Dormant companies as defined will no longer need to pass a special resolution in order to qualify for exemption from audit, but instead will so qualify automatically provided 10 per cent of members do not request an audit. The definition of dormancy has also been amended (see new Article 257AA(4) to (7)).

5. Regulations 5 to 7 impose new requirements for companies which are claiming dormancy status under Article 257AA for a financial year and which have during that year acted as agent for any person to disclose that fact in the notes to their accounts (the amendments are to Schedules 4, 8 and 8A).

6. Regulations 2(3), 4(2), (4) and (5) and 8 make minor and consequential amendments.

7. A Regulatory Impact Assessment of these Regulations is available from the Department of Enterprise, Trade and Investment, Companies Registry, IDB House, 64 Chichester Street, Belfast BT1 4JX. A copy has also been placed in the Assembly Library.