

**2008 No. 409**

**COMPANIES**

**The Small Companies and Groups  
(Accounts and Directors' Report)  
Regulations 2008**

*Made - - - - - 19th February 2008*

*Coming into force - - - - - 6th April 2008*



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**CONTENTS**

**PART 1**

**INTRODUCTION**

1. Citation and interpretation
2. Commencement and application

**PART 2**

**FORM AND CONTENT OF INDIVIDUAL ACCOUNTS**

3. Companies Act individual accounts
4. Information about related undertakings (Companies Act or IAS individual accounts)
5. Information about directors' benefits: remuneration (Companies Act or IAS individual accounts)
6. Accounts for delivery to registrar of companies (Companies Act individual accounts)

**PART 3**

**DIRECTORS' REPORT**

7. Directors' report

**PART 4**

**FORM AND CONTENT OF GROUP ACCOUNTS**

8. Companies Act group accounts
9. Information about directors' benefits: remuneration (Companies Act or IAS group accounts)
10. Information about related undertakings (Companies Act or IAS group accounts)
11. Accounts for delivery to registrar of companies (Companies Act group accounts)

PART 5  
INTERPRETATION

- 12. Definition of “provisions”
- 13. General interpretation

- 
- SCHEDULE 1 — COMPANIES ACT INDIVIDUAL ACCOUNTS
    - PART 1 — GENERAL RULES AND FORMATS
    - PART 2 — ACCOUNTING PRINCIPLES AND RULES
    - PART 3 — NOTES TO THE ACCOUNTS
  - SCHEDULE 2 — INFORMATION ABOUT RELATED UNDERTAKINGS WHERE COMPANY NOT PREPARING GROUP ACCOUNTS (COMPANIES ACT OR IAS INDIVIDUAL ACCOUNTS)
    - PART 1 — REQUIRED DISCLOSURES
    - PART 2 — INTERPRETATION OF REFERENCES TO “BENEFICIAL INTEREST”
  - SCHEDULE 3 — INFORMATION ABOUT DIRECTORS’ BENEFITS: REMUNERATION (COMPANIES ACT OR IAS ACCOUNTS)
    - PART 1 — INFORMATION REQUIRED TO BE DISCLOSED
    - PART 2 — SUPPLEMENTARY PROVISIONS
  - SCHEDULE 4 — COMPANIES ACT ABBREVIATED ACCOUNTS FOR DELIVERY TO REGISTRAR OF COMPANIES
    - PART 1 — THE REQUIRED BALANCE SHEET FORMATS
    - PART 2 — NOTES TO THE ACCOUNTS
  - SCHEDULE 5 — MATTERS TO BE DEALT WITH IN DIRECTORS’ REPORT
  - SCHEDULE 6 — GROUP ACCOUNTS
    - PART 1 — FORM AND CONTENT OF COMPANIES ACT GROUP ACCOUNTS
    - PART 2 — INFORMATION ABOUT RELATED UNDERTAKINGS WHERE COMPANY PREPARING GROUP ACCOUNTS (COMPANIES ACT OR IAS GROUP ACCOUNTS)
  - SCHEDULE 7 — INTERPRETATION OF TERM “PROVISIONS”
    - PART 1 — MEANING FOR PURPOSES OF THESE REGULATIONS
    - PART 2 — MEANING FOR PURPOSES OF PARTS 18 AND 23 OF THE 2006 ACT
  - SCHEDULE 8 — GENERAL INTERPRETATION

The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 396(3), 404(3), 409(1) to (3), 412(1) to (3), 416(4), 444(3)(a) and (b), 677(3)(a), 712(2)(b)(i), 836(1)(b)(i) and 1292(1)(a) and (c) of the Companies Act 2006(a).

In accordance with sections 473(3) and 1290 of the Companies Act 2006 a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

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(a) 2006 c.46.

## PART 1

### INTRODUCTION

#### **Citation and interpretation**

1.—(1) These Regulations may be cited as the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008.

(2) In these Regulations “the 2006 Act” means the Companies Act 2006.

#### **Commencement and application**

2.—(1) These Regulations come into force on 6th April 2008.

(2) They apply in relation to financial years beginning on or after 6th April 2008.

(3) They apply to companies which are subject to the small companies regime under Part 15 of the 2006 Act (see section 381 of that Act(a)).

## PART 2

### FORM AND CONTENT OF INDIVIDUAL ACCOUNTS

#### **Companies Act individual accounts**

3.—(1) Companies Act individual accounts under section 396 of the 2006 Act (Companies Act: individual accounts) must comply with the provisions of Schedule 1 to these Regulations 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.

(2) The profit and loss account of a company that falls within section 408 of the 2006 Act (individual profit and loss account where group accounts prepared)(b) need not contain the information specified in paragraphs 59 to 61 of Schedule 1 to these Regulations (information supplementing the profit and loss account).

(3) Accounts are treated as having complied with any provision of Schedule 1 to these Regulations if they comply instead with the corresponding provision of Schedule 1 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008(c).

#### **Information about related undertakings (Companies Act or IAS individual accounts)**

4.—(1) Companies Act or IAS individual accounts must comply with the provisions of Schedule 2 to these Regulations as to information about related undertakings to be given in notes to the company's accounts.

(2) Information otherwise required to be given by Schedule 2 to these Regulations need not be disclosed with respect to an undertaking that—

(a) is established under the law of a country outside the United Kingdom, or

(b) carries on business outside the United Kingdom,

if the conditions specified in section 409(4) of the 2006 Act are met (see section 409(5) of the 2006 Act for disclosure required where advantage taken of this exemption).

This paragraph does not apply in relation to the information required by paragraphs 4 and 8 of Schedule 2 to these Regulations.

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(a) Section 381 is amended by regulation 6(1) of S.I. 2008/393.

(b) Section 408 is amended by regulation 10 of S.I. 2008/393.

(c) S.I. 2008/410.

**Information about directors' benefits: remuneration (Companies Act or IAS individual accounts)**

5. Companies Act or IAS individual accounts must comply with the provisions of Schedule 3 to these Regulations as to information about directors' remuneration to be given in notes to the company's accounts.

**Accounts for delivery to registrar of companies (Companies Act individual accounts)**

6.—(1) The directors of a company for which they are preparing Companies Act individual accounts may deliver to the registrar of companies under section 444 of the 2006 Act (filing obligations of companies subject to small companies regime) a copy of a balance sheet which complies with Schedule 4 to these Regulations rather than Schedule 1.

(2) Companies Act individual accounts delivered to the registrar need not give the information required by—

- (a) paragraph 4 of Schedule 2 to these Regulations (shares of company held by subsidiary undertakings), or
- (b) Schedule 3 to these Regulations (directors' benefits).

**PART 3**  
**DIRECTORS' REPORT**

**Directors' report**

7. The report which the directors of a company are required to prepare under section 415 of the 2006 Act (duty to prepare directors' report) must disclose the matters specified in Schedule 5 to these Regulations.

**PART 4**  
**FORM AND CONTENT OF GROUP ACCOUNTS**

**Companies Act group accounts**

8.—(1) Where the directors of a parent company which—

- (a) is subject to the small companies regime, and
- (b) has prepared Companies Act individual accounts in accordance with regulation 3,

prepare Companies Act group accounts under section 398 of the 2006 Act (option to prepare group accounts), those accounts must comply with the provisions of Part 1 of Schedule 6 to these Regulations 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.

(2) Accounts are treated as having complied with any provision of Part 1 of Schedule 6 if they comply instead with the corresponding provision of Schedule 6 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

**Information about directors' benefits: remuneration (Companies Act or IAS group accounts)**

9. Companies Act or IAS group accounts must comply with the provisions of Schedule 3 to these Regulations as to information about directors' remuneration to be given in notes to the company's accounts.

### **Information about related undertakings (Companies Act or IAS group accounts)**

**10.**—(1) Companies Act or IAS group accounts must comply with the provisions of Part 2 of Schedule 6 to these Regulations as to information about related undertakings to be given in notes to the company's accounts.

(2) Information otherwise required to be given by Part 2 of Schedule 6 need not be disclosed with respect to an undertaking that—

- (a) is established under the law of a country outside the United Kingdom, or
- (b) carries on business outside the United Kingdom,

if the conditions specified in section 409(4) of the 2006 Act are met (see section 409(5) of the 2006 Act for disclosure required where advantage taken of this exemption).

This paragraph does not apply in relation to the information required by paragraphs 26 and 35 of Schedule 6 to these Regulations.

### **Accounts for delivery to registrar of companies (Companies Act group accounts)**

**11.** Companies Act group accounts delivered to the registrar of companies under section 444 of the 2006 Act need not give the information required by—

- (a) Schedule 3 to these Regulations (directors' benefits), or
- (b) paragraph 25 of Schedule 6 to these Regulations (shares of company held by subsidiary undertakings).

## **PART 5**

### **INTERPRETATION**

#### **Definition of “provisions”**

**12.** Schedule 7 to these Regulations defines “provisions” for the purpose of these Regulations and for the purposes of—

- (a) section 677(3)(a) (Companies Act accounts: relevant provisions for purposes of financial assistance) in Part 18 of the 2006 Act,
- (b) section 712(2)(b)(i) (Companies Act accounts: relevant provisions to determine available profits for redemption or purchase by private company out of capital) in that Part, and
- (c) section 836(1)(b)(i) (Companies Act accounts: relevant provisions for distribution purposes) in Part 23 of that Act.

#### **General interpretation**

**13.** Schedule 8 to these Regulations contains general definitions for the purposes of these Regulations.

*Gareth Thomas*  
Parliamentary Under Secretary of State for Trade and Consumer Affairs,  
Department for Business, Enterprise and Regulatory Reform

19th February 2008

## COMPANIES ACT INDIVIDUAL ACCOUNTS

## PART 1

## GENERAL RULES AND FORMATS

## SECTION A

*GENERAL RULES*

- 1.—(1) Subject to the following provisions of this Schedule—
- (a) every balance sheet of a company must show the items listed in either of the balance sheet formats in Section B of this Part, and
  - (b) every profit and loss account must show the items listed in any one of the profit and loss account formats in Section B.
- (2) References in this Schedule to the items listed in any of the formats in Section B are to those items read together with any of the notes following the formats which apply to those items.
- (3) The items must be shown in the order and under the headings and sub-headings given in the particular format used, but—
- (a) the notes to the formats may permit alternative positions for any particular items, and
  - (b) the heading or sub-heading for any item does not have to be distinguished by any letter or number assigned to that item in the format used.
- 2.—(1) Where in accordance with paragraph 1 a company's balance sheet or profit and loss account for any financial year has been prepared by reference to one of the formats in Section B, the company's directors must use the same format in preparing Companies Act individual accounts for subsequent financial years, unless in their opinion there are special reasons for a change.
- (2) Particulars of any such change must be given in a note to the accounts in which the new format is first used, and the reasons for the change must be explained.
- 3.—(1) Any item required to be shown in a company's balance sheet or profit and loss account may be shown in greater detail than required by the particular format used.
- (2) The balance sheet or profit and loss account may include an item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items listed in the format used, save that none of the following may be treated as assets in any balance sheet—
- (a) preliminary expenses,
  - (b) expenses of, and commission on, any issue of shares or debentures,
  - (c) costs of research.
- 4.—(1) Where the special nature of the company's business requires it, the company's directors must adapt the arrangement, headings and sub-headings otherwise required in respect of items given an Arabic number in the balance sheet or profit and loss account format used.
- (2) The directors may combine items to which Arabic numbers are given in any of the formats set out in Section B if—
- (a) their individual amounts are not material to assessing the state of affairs or profit or loss of the company for the financial year in question, or
  - (b) the combination facilitates that assessment.

(3) Where sub-paragraph (2)(b) applies, the individual amounts of any items which have been combined must be disclosed in a note to the accounts.

5.—(1) Subject to sub-paragraph (2), the directors must not include a heading or sub-heading corresponding to an item in the balance sheet or profit and loss account format used if there is no amount to be shown for that item for the financial year to which the balance sheet or profit and loss account relates.

(2) Where an amount can be shown for the item in question for the immediately preceding financial year that amount must be shown under the heading or sub-heading required by the format for that item.

6. Every profit and loss account must show the amount of a company's profit or loss on ordinary activities before taxation.

7.—(1) For every item shown in the balance sheet or profit and loss account the corresponding amount for the immediately preceding financial year must also be shown.

(2) Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the balance sheet or profit and loss account relates, the former amount may be adjusted, and particulars of the non-comparability and of any adjustment must be disclosed in a note to the accounts.

8. Amounts in respect of items representing assets or income may not be set off against amounts in respect of items representing liabilities or expenditure (as the case may be), or vice versa.

9. The company's directors 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.

## SECTION B

### *THE REQUIRED FORMATS FOR ACCOUNTS(a)*

#### **Balance sheet formats**

##### *Format 1*

- A. Called up share capital not paid (1)
- B. Fixed assets
  - I. Intangible assets
    - 1. Goodwill (2)
    - 2. Other intangible assets (3)
  - II. Tangible assets
    - 1. Land and buildings
    - 2. Plant and machinery etc.
  - III. Investments
    - 1. Shares in group undertakings and participating interests
    - 2. Loans to group undertakings and undertakings in which the company has a participating interest
    - 3. Other investments other than loans
    - 4. Other investments (4)
- C. Current assets
  - I. Stocks

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(a) A number in brackets following any item is a reference to the note of that number in the notes following the formats.

1. Stocks
  2. Payments on account
  - II. Debtors (5)
    1. Trade debtors
    2. Amounts owed by group undertakings and undertakings in which the company has a participating interest
    3. Other debtors (1)
  - III. Investments
    1. Shares in group undertakings
    2. Other investments (4)
  - IV. Cash at bank and in hand
- D. Prepayments and accrued income (6)
- E. Creditors: amounts falling due within one year
  1. Bank loans and overdrafts
  2. Trade creditors
  3. Amounts owed to group undertakings and undertakings in which the company has a participating interest
  4. Other creditors (7)
- F. Net current assets (liabilities) (8)
- G. Total assets less current liabilities
- H. Creditors: amounts falling due after more than one year
  1. Bank loans and overdrafts
  2. Trade creditors
  3. Amounts owed to group undertakings and undertakings in which the company has a participating interest
  4. Other creditors (7)
- I. Provisions for liabilities
- J. Accruals and deferred income (7)
- K. Capital and reserves
  - I. Called up share capital (9)
  - II. Share premium account
  - III. Revaluation reserve
  - IV. Other reserves
  - V. Profit and loss account

### **Balance sheet formats**

#### *Format 2*

#### ASSETS

- A. Called up share capital not paid (1)
- B. Fixed assets
  - I. Intangible assets

1. Goodwill (2)
  2. Other intangible assets (3)
  - II. Tangible assets
    1. Land and buildings
    2. Plant and machinery etc.
  - III. Investments
    1. Shares in group undertakings and participating interests
    2. Loans to group undertakings and undertakings in which the company has a participating interest
    3. Other investments other than loans
    4. Other investments (4)
- C. Current assets
- I. Stocks
    1. Stocks
    2. Payments on account
  - II. Debtors (5)
    1. Trade debtors
    2. Amounts owed by group undertakings and undertakings in which the company has a participating interest
    3. Other debtors (1)
  - III. Investments
    1. Shares in group undertakings
    2. Other investments (4)
  - IV. Cash at bank and in hand
- D. Prepayments and accrued income (6)

## LIABILITIES

- A. Capital and reserves
- I. Called up share capital (9)
  - II. Share premium account
  - III. Revaluation reserve
  - IV. Other reserves
  - V. Profit and loss account
- B. Provisions for liabilities
- C. Creditors (10)
1. Bank loans and overdrafts
  2. Trade creditors
  3. Amounts owed to group undertakings and undertakings in which the company has a participating interest
  4. Other creditors (7)
- D. Accruals and deferred income (7)

### Notes on the balance sheet formats

- (1) *Called up share capital not paid*  
 (Formats 1 and 2, items A and C.II.3.)

This item may either be shown at item A or included under item C.II.3 in Format 1 or 2.

(2) *Goodwill*

(Formats 1 and 2, item B.I.1.)

Amounts representing goodwill must only be included to the extent that the goodwill was acquired for valuable consideration.

(3) *Other intangible assets*

(Formats 1 and 2, item B.I.2.)

Amounts in respect of concessions, patents, licences, trade marks and similar rights and assets must only be included in a company's balance sheet under this item if either—

- (a) the assets were acquired for valuable consideration and are not required to be shown under goodwill, or
- (b) the assets in question were created by the company itself.

(4) *Others: Other investments*

(Formats 1 and 2, items B.III.4 and C.III.2.)

Where amounts in respect of own shares held are included under either of these items, the nominal value of such shares must be shown separately.

(5) *Debtors*

(Formats 1 and 2, items C.II.1 to 3.)

The amount falling due after more than one year must be shown separately for each item included under debtors unless the aggregate amount of debtors falling due after more than one year is disclosed in the notes to the accounts.

(6) *Prepayments and accrued income*

(Formats 1 and 2, item D.)

This item may alternatively be included under item C.II.3 in Format 1 or 2.

(7) *Other creditors*

(Format 1, items E.4, H.4 and J and Format 2, items C.4 and D.)

There must be shown separately—

- (a) the amount of any convertible loans, and
- (b) the amount for creditors in respect of taxation and social security.

Payments received on account of orders must be included in so far as they are not shown as deductions from stocks.

In Format 1, accruals and deferred income may be shown under item J or included under item E.4 or H.4, or both (as the case may require). In Format 2, accruals and deferred income may be shown under item D or within item C.4 under Liabilities.

(8) *Net current assets (liabilities)*

(Format 1, item F.)

In determining the amount to be shown under this item any prepayments and accrued income must be taken into account wherever shown.

*(9) Called up share capital*

(Format 1, item K.I and Format 2, Liabilities item A.I.)

The amount of allotted share capital and the amount of called up share capital which has been paid up must be shown separately.

*(10) Creditors*

(Format 2, Liabilities items C.1 to 4.)

Amounts falling due within one year and after one year must be shown separately for each of these items and for the aggregate of all of these items unless the aggregate amount of creditors falling due within one year and the aggregate amount of creditors falling due after more than one year is disclosed in the notes to the accounts.

**Profit and loss account formats**

*Format 1*  
*(see note (14) below)*

1. Turnover
2. Cost of sales *(11)*
3. Gross profit or loss
4. Distribution costs *(11)*
5. Administrative expenses *(11)*
6. Other operating income
7. Income from shares in group undertakings
8. Income from participating interests
9. Income from other fixed asset investments *(12)*
10. Other interest receivable and similar income *(12)*
11. Amounts written off investments
12. Interest payable and similar charges *(13)*
13. Tax on profit or loss on ordinary activities
14. Profit or loss on ordinary activities after taxation
15. Extraordinary income
16. Extraordinary charges
17. Extraordinary profit or loss

18. Tax on extraordinary profit or loss
19. Other taxes not shown under the above items
20. Profit or loss for the financial year

### **Profit and loss account formats**

#### *Format 2*

1. Turnover
2. Change in stocks of finished goods and in work in progress
3. Own work capitalised
4. Other operating income
5.
  - (a) Raw materials and consumables
  - (b) Other external charges
6. Staff costs
  - (a) wages and salaries
  - (b) social security costs
  - (c) other pension costs
7.
  - (a) Depreciation and other amounts written off tangible and intangible fixed assets
  - (b) Exceptional amounts written off current assets
8. Other operating charges
9. Income from shares in group undertakings
10. Income from participating interests
11. Income from other fixed asset investments (*12*)
12. Other interest receivable and similar income (*12*)
13. Amounts written off investments
14. Interest payable and similar charges (*13*)
15. Tax on profit or loss on ordinary activities
16. Profit or loss on ordinary activities after taxation
17. Extraordinary income
18. Extraordinary charges
19. Extraordinary profit or loss

20. Tax on extraordinary profit or loss
21. Other taxes not shown under the above items
22. Profit or loss for the financial year

**Profit and loss account formats**

*Format 3*  
*(see note (14) below)*

A. Charges

1. Cost of sales *(11)*
2. Distribution costs *(11)*
3. Administrative expenses *(11)*
4. Amounts written off investments
5. Interest payable and similar charges *(13)*
6. Tax on profit or loss on ordinary activities
7. Profit or loss on ordinary activities after taxation
8. Extraordinary charges
9. Tax on extraordinary profit or loss
10. Other taxes not shown under the above items
11. Profit or loss for the financial year

B. Income

1. Turnover
2. Other operating income
3. Income from shares in group undertakings
4. Income from participating interests
5. Income from other fixed asset investments *(12)*
6. Other interest receivable and similar income *(12)*
7. Profit or loss on ordinary activities after taxation
8. Extraordinary income

9. Profit or loss for the financial year

### **Profit and loss account formats**

#### *Format 4*

#### A. Charges

1. Reduction in stocks of finished goods and in work in progress
2.
  - (a) Raw materials and consumables
  - (b) Other external charges
3. Staff costs
  - (a) wages and salaries
  - (b) social security costs
  - (c) other pension costs
4.
  - (a) Depreciation and other amounts written off tangible and intangible fixed assets
  - (b) Exceptional amounts written off current assets
5. Other operating charges
6. Amounts written off investments
7. Interest payable and similar charges (*13*)
8. Tax on profit or loss on ordinary activities
9. Profit or loss on ordinary activities after taxation
10. Extraordinary charges
11. Tax on extraordinary profit or loss
12. Other taxes not shown under the above items
13. Profit or loss for the financial year

#### B. Income

1. Turnover
2. Increase in stocks of finished goods and in work in progress
3. Own work capitalised
4. Other operating income
5. Income from shares in group undertakings
6. Income from participating interests

7. Income from other fixed asset investments (12)
8. Other interest receivable and similar income (12)
9. Profit or loss on ordinary activities after taxation
10. Extraordinary income
11. Profit or loss for the financial year

### **Notes on the profit and loss account formats**

(11) *Cost of sales: distribution costs: administrative expenses*

(Format 1, items 2, 4 and 5 and Format 3, items A.1, 2 and 3.)

These items must be stated after taking into account any necessary provisions for depreciation or diminution in value of assets.

(12) *Income from other fixed asset investments: other interest receivable and similar income*

(Format 1, items 9 and 10; Format 2, items 11 and 12; Format 3, items B.5 and 6 and Format 4, items B.7 and 8.)

Income and interest derived from group undertakings must be shown separately from income and interest derived from other sources.

(13) *Interest payable and similar charges*

(Format 1, item 12; Format 2, item 14; Format 3, item A.5 and Format 4, item A.7.)

The amount payable to group undertakings must be shown separately.

(14) *Formats 1 and 3*

The amount of any provisions for depreciation and diminution in value of tangible and intangible fixed assets falling to be shown under items 7(a) and A.4(a) respectively in Formats 2 and 4 must be disclosed in a note to the accounts in any case where the profit and loss account is prepared using Format 1 or Format 3.

## **PART 2**

### **ACCOUNTING PRINCIPLES AND RULES**

#### **SECTION A**

#### *ACCOUNTING PRINCIPLES*

#### **Preliminary**

**10.**—(1) The amounts to be included in respect of all items shown in a company's accounts must be determined in accordance with the principles set out in this Section.

(2) But if it appears to the company's directors that there are special reasons for departing from any of those principles in preparing the company's accounts in respect of any financial year they may do so, in which case particulars of the departure, the reasons for it and its effect must be given in a note to the accounts.

### **Accounting principles**

11. The company is presumed to be carrying on business as a going concern.
12. Accounting policies must be applied consistently within the same accounts and from one financial year to the next.
13. The amount of any item must be determined on a prudent basis, and in particular—
  - (a) only profits realised at the balance sheet date must be included in the profit and loss account, and
  - (b) all liabilities which have arisen in respect of the financial year to which the accounts relate or a previous financial year must be taken into account, including those which only become apparent between the balance sheet date and the date on which it is signed on behalf of the board of directors in accordance with section 414 of the 2006 Act (approval and signing of accounts).
14. All income and charges relating to the financial year to which the accounts relate must be taken into account, without regard to the date of receipt or payment.
15. In determining the aggregate amount of any item, the amount of each individual asset or liability that falls to be taken into account must be determined separately.

### SECTION B

#### *HISTORICAL COST ACCOUNTING RULES*

### **Preliminary**

16. Subject to Sections C and D of this Part of this Schedule, the amounts to be included in respect of all items shown in a company's accounts must be determined in accordance with the rules set out in this Section.

#### *Fixed assets*

### **General rules**

- 17.—(1) The amount to be included in respect of any fixed asset must be its purchase price or production cost.
- (2) This is subject to any provision for depreciation or diminution in value made in accordance with paragraphs 18 to 20.

### **Rules for depreciation and diminution in value**

18. In the case of any fixed asset which has a limited useful economic life, the amount of—
- (a) its purchase price or production cost, or
  - (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its purchase price or production cost less that estimated residual value,
- must be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

19.—(1) Where a fixed asset investment of a description falling to be included under item B.III of either of the balance sheet formats set out in Part 1 of this Schedule has diminished in value, provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly.

(2) Provisions for diminution in value must be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful

economic life is limited or not), and the amount to be included in respect of it must be reduced accordingly.

(3) Any provisions made under sub-paragraph (1) or (2) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

**20.**—(1) Where the reasons for which any provision was made in accordance with paragraph 19 have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

(2) Any amounts written back in accordance with sub-paragraph (1) which are not shown in the profit and loss account must be disclosed (either separately or in aggregate) in a note to the accounts.

### **Development costs**

**21.**—(1) Notwithstanding that an item in respect of “development costs” is included under “fixed assets” in the balance sheet formats set out in Part 1 of this Schedule, an amount may only be included in a company’s balance sheet in respect of development costs in special circumstances.

(2) If any amount is included in a company’s balance sheet in respect of development costs the following information must be given in a note to the accounts—

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and
- (b) the reasons for capitalising the development costs in question.

### **Goodwill**

**22.**—(1) The application of paragraphs 17 to 20 in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following.

(2) Subject to sub-paragraph (3), the amount of the consideration for any goodwill acquired by a company must be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the company.

(3) The period chosen must not exceed the useful economic life of the goodwill in question.

(4) In any case where any goodwill acquired by a company is shown or included as an asset in the company’s balance sheet there must be disclosed in a note to the accounts—

- (a) the period chosen for writing off the consideration for that goodwill, and
- (b) the reasons for choosing that period.

### **Current assets**

**23.** Subject to paragraph 24, the amount to be included in respect of any current asset must be its purchase price or production cost.

**24.**—(1) If the net realisable value of any current asset is lower than its purchase price or production cost, the amount to be included in respect of that asset must be the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made in accordance with sub-paragraph (1) have ceased to apply to any extent, that provision must be written back to the extent that it is no longer necessary.

**Excess of money owed over value received as an asset item**

25.—(1) Where the amount repayable on any debt owed by a company is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount is so treated—

- (a) it must be written off by reasonable amounts each year and must be completely written off before repayment of the debt, and
- (b) if the current amount is not shown as a separate item in the company's balance sheet, it must be disclosed in a note to the accounts.

**Assets included at a fixed amount**

26.—(1) Subject to sub-paragraph (2), assets which fall to be included—

- (a) amongst the fixed assets of a company under the item “tangible assets”, or
- (b) amongst the current assets of a company under the item “raw materials and consumables”,

may be included at a fixed quantity and value.

(2) Sub-paragraph (1) applies to assets of a kind which are constantly being replaced where—

- (a) their overall value is not material to assessing the company's state of affairs, and
- (b) their quantity, value and composition are not subject to material variation.

**Determination of purchase price or production cost**

27.—(1) The purchase price of an asset is to be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The production cost of an asset is to be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the company which are directly attributable to the production of that asset.

(3) In addition, there may be included in the production cost of an asset—

- (a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production, and
- (b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production,

provided, however, in a case within paragraph (b), that the inclusion of the interest in determining the cost of that asset and the amount of the interest so included is disclosed in a note to the accounts.

(4) In the case of current assets distribution costs may not be included in production costs.

28.—(1) The purchase price or production cost of—

- (a) any assets which fall to be included under any item shown in a company's balance sheet under the general item “stocks”, and
- (b) any assets which are fungible assets (including investments),

may be determined by the application of any of the methods mentioned in sub-paragraph (2) in relation to any such assets of the same class, provided that the method chosen is one which appears to the directors to be appropriate in the circumstances of the company.

(2) Those methods are—

- (a) the method known as “first in, first out” (FIFO),

- (b) the method known as “last in, first out” (LIFO),
- (c) a weighted average price, and
- (d) any other method similar to any of the methods mentioned above.

(3) For the purposes of this paragraph, assets of any description must be regarded as fungible if assets of that description are substantially indistinguishable one from another.

#### **Substitution of original stated amount where price or cost unknown**

**29.**—(1) This paragraph applies where—

- (a) there is no record of the purchase price or production cost of any asset of a company or of any price, expenses or costs relevant for determining its purchase price or production cost in accordance with paragraph 27, or
- (b) any such record cannot be obtained without unreasonable expense or delay.

(2) In such a case, the purchase price or production cost of the asset must be taken, for the purposes of paragraphs 17 to 24, to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or production by the company.

### SECTION C

#### *ALTERNATIVE ACCOUNTING RULES*

#### **Preliminary**

**30.**—(1) The rules set out in Section B are referred to below in this Schedule as the historical cost accounting rules.

(2) Those rules, with the omission of paragraphs 16, 22 and 26 to 29, are referred to below in this Part of this Schedule as the depreciation rules; and references below in this Schedule to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 33.

**31.** Subject to paragraphs 33 to 35, the amounts to be included in respect of assets of any description mentioned in paragraph 32 may be determined on any basis so mentioned.

#### **Alternative accounting rules**

**32.**—(1) Intangible fixed assets, other than goodwill, may be included at their current cost.

(2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(3) Investments of any description falling to be included under item B III of either of the balance sheet formats set out Part 1 of this Schedule may be included either—

- (a) at a market value determined as at the date of their last valuation, or
- (b) at a value determined on any basis which appears to the directors to be appropriate in the circumstances of the company.

But in the latter case particulars of the method of valuation adopted and of the reasons for adopting it must be disclosed in a note to the accounts.

(4) Investments of any description falling to be included under item C III of either of the balance sheet formats set out in Part 1 of this Schedule may be included at their current cost.

(5) Stocks may be included at their current cost.

#### **Application of the depreciation rules**

**33.**—(1) Where the value of any asset of a company is determined on any basis mentioned in paragraph 32, that value must be, or (as the case may require) be the starting point for

determining, the amount to be included in respect of that asset in the company's accounts, instead of its purchase price or production cost or any value previously so determined for that asset.

The depreciation rules apply accordingly in relation to any such asset with the substitution for any reference to its purchase price or production cost of a reference to the value most recently determined for that asset on any basis mentioned in paragraph 32.

(2) The amount of any provision for depreciation required in the case of any fixed asset by paragraphs 18 to 20 as they apply by virtue of sub-paragraph (1) is referred to below in this paragraph as the adjusted amount, and the amount of any provision which would be required by any of those paragraphs in the case of that asset according to the historical cost accounting rules is referred to as the historical cost amount.

(3) Where sub-paragraph (1) applies in the case of any fixed asset the amount of any provision for depreciation in respect of that asset—

- (a) included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question, or
- (b) taken into account in stating any item so shown which is required by note (11) of the notes on the profit and loss account formats set out in Part 1 of this Schedule to be stated after taking into account any necessary provision for depreciation or diminution in value of assets included under it,

may be the historical cost amount instead of the adjusted amount, provided that the amount of any difference between the two is shown separately in the profit and loss account or in a note to the accounts.

#### **Additional information to be provided in case of departure from historical cost accounting rules**

**34.—**(1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in a company's accounts have been determined on any basis mentioned in paragraph 32.

(2) The 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 each balance sheet item affected (except stocks) either—

- (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,

must be shown separately in the balance sheet or in a note to the accounts.

(4) In sub-paragraph (3), references in relation to any item to the comparable amounts determined as there mentioned 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.

#### **Revaluation reserve**

**35.—**(1) With respect to any determination of the value of an asset of a company on any basis mentioned in paragraph 32, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) must be credited or (as the case may be) debited to a separate reserve ("the revaluation reserve").

(2) The amount of the revaluation reserve must be shown in the company's balance sheet under a separate sub-heading in the position given for the item "revaluation reserve" in Format 1 or 2 of the balance sheet formats set out in Part 1 of this Schedule, but need not be shown under that name.

(3) An amount may be transferred—

(a) from the revaluation reserve—

(i) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or

(ii) on capitalisation,

(b) to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve.

The revaluation reserve must be reduced to the extent that the amounts transferred to it are no longer necessary for the purposes of the valuation method used.

(4) In sub-paragraph (3)(a)(ii) "capitalisation", in relation to an amount standing to the credit of the revaluation reserve, means applying it in wholly or partly paying up unissued shares in the company to be allotted to members of the company as fully or partly paid shares.

(5) The revaluation reserve must not be reduced except as mentioned in this paragraph.

(6) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve must be disclosed in a note to the accounts.

## SECTION D

### *FAIR VALUE ACCOUNTING*

#### **Inclusion of financial instruments at fair value**

**36.**—(1) Subject to sub-paragraphs (2) to (5), financial instruments (including derivatives) may be included at fair value.

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

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

(b) they are derivatives, or

(c) they are financial instruments falling within sub-paragraph (4).

(3) Unless they are financial instruments falling within sub-paragraph (4), 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, or

(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) Financial instruments that, under international accounting standards adopted by the European Commission on or before 5th September 2006 in accordance with the IAS Regulation, may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.

(5) If the fair value of a financial instrument cannot be determined reliably in accordance with paragraph 37, sub-paragraph (1) does not apply to that financial instrument.

(6) In this paragraph—

“associated undertaking” has the meaning given by paragraph 19 of Schedule 6 to these Regulations;

“joint venture” has the meaning given by paragraph 18 of that Schedule.

### **Determination of fair value**

**37.**—(1) The fair value of a financial instrument is its value determined in accordance with this paragraph.

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

### **Hedged items**

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

### **Other assets that may be included at fair value**

**39.**—(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**

**40.**—(1) This paragraph applies where a financial instrument is valued in accordance with paragraph 36 or 38 or an asset is valued in accordance with paragraph 39.

(2) Notwithstanding paragraph 13 in this Part of this Schedule, 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**

**41.**—(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 40(3) or (4).

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

## **PART 3**

### **NOTES TO THE ACCOUNTS**

### **Preliminary**

**42.** Any information required in the case of any company by the following provisions of this Part of this Schedule must (if not given in the company's accounts) be given by way of a note to those accounts.

### **Reserves and dividends**

**43.** 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 paragraph (b) or (c).

### **Disclosure of accounting policies**

**44.** The accounting policies adopted by the company in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the company must be stated (including such policies with respect to the depreciation and diminution in value of assets).

#### *Information supplementing the balance sheet*

**45.** Paragraphs 46 to 58 require information which either supplements the information given with respect to any particular items shown in the balance sheet or is otherwise relevant to assessing the company's state of affairs in the light of the information so given.

### **Share capital**

**46.**—(1) Where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted must be given.

(2) In the case of any part of the allotted share capital that consists of redeemable shares, the following information must be given—

- (a) the earliest and latest dates on which the company has power to redeem those shares,

- (b) whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company or of the shareholder, and
- (c) whether any (and, if so, what) premium is payable on redemption.

47. If the company has allotted any shares during the financial year, the following information must be given—

- (a) the classes of shares allotted, and
- (b) as respects each class of shares, the number allotted, their aggregate nominal value, and the consideration received by the company for the allotment.

### Fixed assets

48.—(1) In respect of each item which is or would but for paragraph 4(2)(b) be shown under the general item “fixed assets” in the company’s balance sheet the following information must be given—

- (a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the balance sheet date respectively,
- (b) the effect on any amount shown in the balance sheet in respect of that item of—
  - (i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in paragraph 32,
  - (ii) acquisitions during that year of any assets,
  - (iii) disposals during that year of any assets, and
  - (iv) any transfers of assets of the company to and from that item during that year.

(2) The reference in sub-paragraph (1)(a) to the appropriate amounts in respect of any item as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of assets falling to be included under that item on either of the following bases, that is to say—

- (a) on the basis of purchase price or production cost (determined in accordance with paragraphs 27 and 28), or
- (b) on any basis mentioned in paragraph 32,

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In respect of each item within sub-paragraph (1) there must also be stated—

- (a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in sub-paragraph (1)(a),
- (b) the amount of any such provisions made in respect of the financial year,
- (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets, and
- (d) the amount of any other adjustments made in respect of any such provisions during that year.

49. Where any fixed assets of the company (other than listed investments) are included under any item shown in the company’s balance sheet at an amount determined on any basis mentioned in paragraph 32, the following information must be given—

- (a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values, and
- (b) in the case of assets that have been valued during the financial year, the names of the persons who valued them or particulars of their qualifications for doing so and (whichever is stated) the bases of valuation used by them.

## **Investments**

**50.**—(1) In respect of the amount of each item which is or would but for paragraph 4(2)(b) be shown in the company's balance sheet under the general item "investments" (whether as fixed assets or as current assets) there must be stated how much of that amount is ascribable to listed investments.

(2) Where the amount of any listed investments is stated for any item in accordance with subparagraph (1), the following amounts must also be stated—

- (a) the aggregate market value of those investments where it differs from the amount so stated, and
- (b) both the market value and the stock exchange value of any investments of which the former value is, for the purposes of the accounts, taken as being higher than the latter.

## **Information about fair value of assets and liabilities**

**51.**—(1) This paragraph applies where financial instruments have been valued in accordance with paragraph 36 or 38.

(2) There must be stated—

- (a) the significant assumptions underlying the valuation models and techniques used where the fair value of the instruments has been determined in accordance with paragraph 37(4),
- (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.

(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.

**52.**—(1) This paragraph applies if—

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 36,
- (b) the amount at which those items 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 this 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.

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

**53.**—(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 39.

(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 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.

### **Reserves and provisions**

**54.**—(1) This paragraph applies where any amount is transferred—

- (a) to or from any reserves, or
- (b) to any provisions for liabilities, or
- (c) from any provision for liabilities otherwise than for the purpose for which the provision was established,

and the reserves or provisions are or would but for paragraph 4(2)(b) be shown as separate items in the company's balance sheet.

(2) The following information must be given in respect of the aggregate of reserves or provisions included in the same item—

- (a) the amount of the reserves or provisions as at the date of the beginning of the financial year and as at the balance sheet date respectively,
- (b) any amounts transferred to or from the reserves or provisions during that year, and
- (c) the source and application respectively of any amounts so transferred.

(3) Particulars must be given of each provision included in the item "other provisions" in the company's balance sheet in any case where the amount of that provision is material.

### **Details of indebtedness**

**55.**—(1) For the aggregate of all items shown under "creditors" in the company's balance sheet there must be stated the aggregate of the following amounts—

- (a) the amount of any debts included under "creditors" which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year, and
- (b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period.

(2) In respect of each item shown under “creditors” in the company’s balance sheet there must be stated the aggregate amount of any debts included under that item in respect of which any security has been given by the company.

(3) References above in this paragraph to an item shown under “creditors” in the company’s balance sheet include references, where amounts falling due to creditors within one year and after more than one year are distinguished in the balance sheet—

- (a) in a case within sub-paragraph (1), to an item shown under the latter of those categories,
- (b) in a case within sub-paragraph (2), to an item shown under either of those categories.

References to items shown under “creditors” include references to items which would but for paragraph 4(2)(b) be shown under that heading.

**56.** If any fixed cumulative dividends on the company’s shares are in arrear, there must be stated—

- (a) the amount of the arrears, and
- (b) the period for which the dividends or, if there is more than one class, each class of them are in arrear.

### **Guarantees and other financial commitments**

**57.**—(1) Particulars must be given of any charge on the assets of the company to secure the liabilities of any other person, including, where practicable, the amount secured.

(2) The following information must be given with respect to any other contingent liability not provided for—

- (a) the amount or estimated amount of that liability,
- (b) its legal nature, and
- (c) whether any valuable security has been provided by the company in connection with that liability and if so, what.

(3) There must be stated, where practicable, the aggregate amount or estimated amount of contracts for capital expenditure, so far as not provided for.

(4) Particulars must be given of—

- (a) any pension commitments included under any provision shown in the company’s balance sheet, and
- (b) any such commitments for which no provision has been made,

and where any such commitment relates wholly or partly to pensions payable to past directors of the company separate particulars must be given of that commitment so far as it relates to such pensions.

(5) Particulars must also be given of any other financial commitments that—

- (a) have not been provided for, and
- (b) are relevant to assessing the company’s state of affairs.

(6) Commitments within any of sub-paragraphs (1) to (5) which are undertaken on behalf of or for the benefit of—

- (a) any parent undertaking or fellow subsidiary undertaking, or
- (b) any subsidiary undertaking of the company,

must be stated separately from the other commitments within that sub-paragraph, and commitments within paragraph (a) must also be stated separately from those within paragraph (b).

### **Miscellaneous matters**

**58.** Particulars must be given of any case where the purchase price or production cost of any asset is for the first time determined under paragraph 29.

### **Information supplementing the profit and loss account**

**59.** Paragraphs 60 and 61 require information which either supplements the information given with respect to any particular items shown in the profit and loss account or otherwise provides particulars of income or expenditure of the company or of circumstances affecting the items shown in the profit and loss account (see regulation 3(2) for exemption for companies falling within section 408 of the 2006 Act).

### **Particulars of turnover**

**60.—**(1) If the company has supplied geographical markets outside the United Kingdom during the financial year in question, there must be stated the percentage of its turnover that, in the opinion of the directors, is attributable to those markets.

(2) In analysing for the purposes of this paragraph the source of turnover, the directors of the company must have regard to the manner in which the company's activities are organised.

### **Miscellaneous matters**

**61.—**(1) Where any amount relating to any preceding financial year is included in any item in the profit and loss account, the effect must be stated.

(2) Particulars must be given of any extraordinary income or charges arising in the financial year.

(3) The effect must be stated of any transactions that are exceptional by virtue of size or incidence though they fall within the ordinary activities of the company.

### **Sums denominated in foreign currencies**

**62.** Where sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into sterling (or the currency in which the accounts are drawn up) must be stated.

### **Dormant companies acting as agents**

**63.** Where the directors of a company take advantage of the exemption conferred by section 480 of the 2006 Act (dormant companies: exemption from audit), 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.

INFORMATION ABOUT RELATED UNDERTAKINGS WHERE  
COMPANY NOT PREPARING GROUP ACCOUNTS (COMPANIES  
ACT OR IAS INDIVIDUAL ACCOUNTS)

PART 1  
REQUIRED DISCLOSURES

**Subsidiary undertakings**

1.—(1) The following information must be given where at the end of the financial year the company has subsidiary undertakings.

- (2) The name of each subsidiary undertaking must be stated.
- (3) There must be stated with respect to each subsidiary undertaking—
  - (a) if it is incorporated outside the United Kingdom, the country in which it is incorporated,
  - (b) if it is unincorporated, the address of its principal place of business.

**Holdings in subsidiary undertakings**

2.—(1) There must be stated in relation to shares of each class held by the company in a subsidiary undertaking—

- (a) the identity of the class, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(2) The shares held by or on behalf of the company itself must be distinguished from those attributed to the company which are held by or on behalf of a subsidiary undertaking.

**Financial information about subsidiary undertakings**

3.—(1) There must be disclosed with respect to each subsidiary undertaking—

- (a) the aggregate amount of its capital and reserves as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given if the company would (if it were not subject to the small companies regime) be exempt by virtue of section 400 or 401 of the 2006 Act (parent company included in accounts of larger group) from the requirement to prepare group accounts.

(3) That information need not be given if the company's investment in the subsidiary undertaking is included in the company's accounts by way of the equity method of valuation.

(4) That information need not be given if—

- (a) the subsidiary undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the company's holding is less than 50% of the nominal value of the shares in the undertaking.

(5) Information otherwise required by this paragraph need not be given if it is not material.

(6) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is—

- (a) if its financial year ends with that of the company, that year, and
- (b) if not, its financial year ending last before the end of the company’s financial year.

#### **Shares of company held by subsidiary undertakings**

4.—(1) The number, description and amount of the shares in the company held by or on behalf of its subsidiary undertakings must be disclosed.

(2) Sub-paragraph (1) does not apply in relation to shares in the case of which the subsidiary undertaking is concerned as personal representative or, subject as follows, as trustee.

(3) The exception for shares in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company, or any subsidiary undertaking of the company, is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

(4) Part 2 of this Schedule has effect for the interpretation of the reference in sub-paragraph (3) to a beneficial interest under a trust.

#### **Significant holdings in undertakings other than subsidiary undertakings**

5.—(1) The information required by paragraphs 6 and 7 must be given where at the end of the financial year the company has a significant holding in an undertaking which is not a subsidiary undertaking of the company.

(2) A holding is significant for this purpose if—

- (a) it amounts to 20% or more of the nominal value of any class of shares in the undertaking, or
- (b) the amount of the holding (as stated or included in the company’s accounts) exceeds 20% of the amount (as so stated) of the company’s assets.

6.—(1) The name of the undertaking must be stated.

(2) There must be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
- (b) if it is unincorporated, the address of its principal place of business.

(3) There must also be stated—

- (a) the identity of each class of shares in the undertaking held by the company, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

7.—(1) There must also be stated—

- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given if—

- (a) the company would (if it were not subject to the small companies regime) be exempt by virtue of section 400 or 401 of the 2006 Act (parent company included in accounts of larger group) from the requirement to prepare group accounts, and
- (b) the investment of the company in all undertakings in which it has such a holding as is mentioned in sub-paragraph (1) is shown, in aggregate, in the notes to the accounts by way of the equity method of valuation.

(3) That information need not be given in respect of an undertaking if—

- (a) the undertaking is not required by any provision of the 2006 Act to deliver to the registrar a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
  - (b) the company's holding is less than 50% of the nominal value of the shares in the undertaking.
- (4) Information otherwise required by this paragraph need not be given if it is not material.
- (5) For the purposes of this paragraph the "relevant financial year" of an undertaking is—
- (a) if its financial year ends with that of the company, that year, and
  - (b) if not, its financial year ending last before the end of the company's financial year.

**Membership of certain undertakings**

**8.**—(1) The information required by this paragraph must be given where at the end of the financial year the company is a member of a qualifying undertaking.

- (2) There must be stated—
- (a) the name and legal form of the undertaking, and
  - (b) the address of the undertaking's registered office (whether in or outside the United Kingdom) or, if it does not have such an office, its head office (whether in or outside the United Kingdom).
- (3) Where the undertaking is a qualifying partnership there must also be stated either—
- (a) that a copy of the latest accounts of the undertaking has been or is to be appended to the copy of the company's accounts sent to the registrar under section 444 of the 2006 Act, or
  - (b) the name of at least one body corporate (which may be the company) in whose group accounts the undertaking has been or is to be dealt with on a consolidated basis.
- (4) Information otherwise required by sub-paragraph (2) need not be given if it is not material.

(5) Information otherwise required by sub-paragraph (3)(b) need not be given if the notes to the company's accounts disclose that advantage has been taken of the exemption conferred by regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993(a).

- (6) In this paragraph—
- “dealt with on a consolidated basis”, “member” and “qualifying partnership” have the same meanings as in the Partnerships and Unlimited Companies (Accounts) Regulations 1993;
- “qualifying undertaking” means—
- (a) a qualifying partnership, or
  - (b) an unlimited company each of whose members is—
    - (i) a limited company,
    - (ii) another unlimited company each of whose members is a limited company, or
    - (iii) a Scottish partnership each of whose members is a limited company,
- and references in this paragraph to a limited company, another unlimited company or a Scottish partnership include a comparable undertaking incorporated in or formed under the law of a country or territory outside the United Kingdom.

**Parent undertaking drawing up accounts for larger group**

**9.**—(1) Where the company is a subsidiary undertaking, the following information must be given with respect to the parent undertaking of—

- (a) the largest group of undertakings for which group accounts are drawn up and of which the company is a member, and

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(a) S.I. 1993/1820.

- (b) the smallest such group of undertakings.
- (2) The name of the parent undertaking must be stated.
- (3) There must be stated—
  - (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
  - (b) if it is unincorporated, the address of its principal place of business.
- (4) If copies of the group accounts referred to in sub-paragraph (1) are available to the public, there must also be stated the addresses from which copies of the accounts can be obtained.

#### **Identification of ultimate parent company**

- 10.**—(1) Where the company is a subsidiary undertaking, the following information must be given with respect to the company (if any) regarded by the directors as being the company’s ultimate parent company.
- (2) The name of that company must be stated.
  - (3) If that company is incorporated outside the United Kingdom, the country in which it is incorporated must be stated (if known to the directors).
  - (4) In this paragraph “company” includes any body corporate.

#### **Construction of references to shares held by company**

- 11.**—(1) References in this Part of this Schedule to shares held by a company are to be construed as follows.
- (2) For the purposes of paragraphs 2 and 3 (information about subsidiary undertakings)—
    - (a) there must be attributed to the company any shares held by a subsidiary undertaking, or by a person acting on behalf of the company or a subsidiary undertaking; but
    - (b) there must be treated as not held by the company any shares held on behalf of a person other than the company or a subsidiary undertaking.
  - (3) For the purposes of paragraphs 5 to 7 (information about undertakings other than subsidiary undertakings)—
    - (a) there must be attributed to the company shares held on its behalf by any person; but
    - (b) there must be treated as not held by a company shares held on behalf of a person other than the company.
  - (4) For the purposes of any of those provisions, shares held by way of security must be treated as held by the person providing the security—
    - (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions, and
    - (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

## **PART 2**

### **INTERPRETATION OF REFERENCES TO “BENEFICIAL INTEREST”**

#### **Introduction**

- 12.**—(1) References in this Schedule to a beneficial interest are to be interpreted in accordance with the following provisions.

(2) This Part of this Schedule applies in relation to debentures as it applies in relation to shares.

### **Residual interests under pension and employees' share schemes**

**13.**—(1) Where shares in an undertaking are held on trust for the purposes of a pension scheme or an employees' share scheme, there must be disregarded any residual interest of the undertaking or any of its subsidiary undertakings (the "residual beneficiary") that has not vested in possession.

(2) A "residual interest" means a right to receive any of the trust property in the event of—

- (a) all the liabilities arising under the scheme having been satisfied or provided for, or
- (b) the residual beneficiary ceasing to participate in the scheme, or
- (c) the trust property at any time exceeding what is necessary for satisfying the liabilities arising or expected to arise under the scheme.

(3) In sub-paragraph (2)—

- (a) references to a right include a right dependent on the exercise of a discretion vested by the scheme in the trustee or any other person, and
- (b) references to liabilities arising under a scheme include liabilities that have resulted or may result from the exercise of any such discretion.

(4) For the purposes of this paragraph a residual interest vests in possession—

- (a) in a case within sub-paragraph (2)(a), on the occurrence of the event there mentioned, whether or not the amount of the property receivable pursuant to the right mentioned in that sub-paragraph is then ascertained,
- (b) in a case within sub-paragraph (2)(b) or (c), when the residual beneficiary becomes entitled to require the trustee to transfer to it any of the property receivable pursuant to that right.

### **Employer's charges and other rights of recovery**

**14.**—(1) Where shares in an undertaking are held on trust there must be disregarded—

- (a) if the trust is for the purposes of a pension scheme, any such rights as are mentioned in sub-paragraph (2),
- (b) if the trust is for the purposes of an employees' share scheme, any such rights as are mentioned in paragraph (a) of that sub-paragraph,

being rights of the undertaking or any of its subsidiary undertakings.

(2) The rights referred to are—

- (a) any charge or lien on, or set-off against, any benefit or other right or interest under the scheme for the purpose of enabling the employer or former employer of a member of the scheme to obtain the discharge of a monetary obligation due to him from the member,
- (b) any right to receive from the trustee of the scheme, or as trustee of the scheme to retain, an amount that can be recovered or retained under section 61 of the Pension Schemes Act 1993<sup>(a)</sup> or section 57 of the Pension Schemes (Northern Ireland) Act 1993<sup>(b)</sup> (deduction of contributions equivalent premium from refund of scheme contributions) or otherwise, as reimbursement or partial reimbursement for any contributions equivalent premium paid in connection with the scheme under Chapter 3 of Part 3 of that Act.

### **Trustee's right to expenses, remuneration, indemnity etc.**

**15.**—(1) Where an undertaking is a trustee, there must be disregarded any rights which the undertaking has in its capacity as trustee.

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(a) 1993 c.48.  
(b) 1993 c.49.

(2) This includes in particular—

- (a) any right to recover its expenses or be remunerated out of the trust property, and
- (b) any right to be indemnified out of that property for any liability incurred by reason of any act or omission of the undertaking in the performance of its duties as trustee.

**Meaning of “pension scheme”**

**16.**—(1) In this Part of this Schedule “pension scheme” means any scheme for the provision of benefits consisting of or including relevant benefits for or in respect of employees or former employees.

(2) For this purpose “relevant benefits” means any pension, lump sum, gratuity or other like benefit given or to be given on retirement or on death or in anticipation of retirement or, in connection with past service, after retirement or death.

**Application of provisions to directors**

**17.** In paragraphs 14(2) and 16, “employee” and “employer” are to be read as if a director of an undertaking were employed by it.

**INFORMATION ABOUT DIRECTORS' BENEFITS:  
REMUNERATION (COMPANIES ACT OR IAS ACCOUNTS)**

**PART 1**

**INFORMATION REQUIRED TO BE DISCLOSED**

**Total amount of directors' remuneration etc.**

- 1.—(1) There must be shown the overall total of the following amounts—
- (a) the amount of remuneration paid to or receivable by directors in respect of qualifying services;
  - (b) the amount of money paid to or receivable by directors, and the net value of assets (other than money, share options or shares) received or receivable by directors, under long term incentive schemes in respect of qualifying services; and
  - (c) the value of any company contributions—
    - (i) paid, or treated as paid, to a pension scheme in respect of directors' qualifying services, and
    - (ii) by reference to which the rate or amount of any money purchase benefits that may become payable will be calculated.
- (2) There must be shown the number of directors (if any) to whom retirement benefits are accruing in respect of qualifying services—
- (a) under money purchase schemes, and
  - (b) under defined benefit schemes.

**Compensation to directors for loss of office**

- 2.—(1) There must be shown the aggregate amount of any payments made to directors or past directors for loss of office.
- (2) "Payment for loss of office" has the same meaning as in section 215 of the 2006 Act.

**Sums paid to third parties in respect of directors' services**

- 3.—(1) There must be shown the aggregate amount of any consideration paid to or receivable by third parties for making available the services of any person—
- (a) as a director of the company, or
  - (b) while director of the company—
    - (i) as director of any of its subsidiary undertakings, or
    - (ii) otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings.
- (2) In sub-paragraph (1)—
- (a) the reference to consideration includes benefits otherwise than in cash, and
  - (b) in relation to such consideration the reference to its amount is to the estimated money value of the benefit.

The nature of any such consideration must be disclosed.

- (3) For the purposes of this paragraph a “third party” means a person other than—
- (a) the director himself or a person connected with him or body corporate controlled by him, or
  - (b) the company or any of its subsidiary undertakings.

## PART 2

### SUPPLEMENTARY PROVISIONS

#### **General nature of obligations**

4.—(1) This Schedule requires information to be given only so far as it is contained in the company’s books and papers or the company has the right to obtain it from the persons concerned.

(2) For the purposes of this Schedule any information is treated as shown if it is capable of being readily ascertained from other information which is shown.

#### **Provisions as to amounts to be shown**

5.—(1) The following provisions apply with respect to the amounts to be shown under this Schedule.

(2) The amount in each case includes all relevant sums, whether paid by or receivable from the company, any of the company’s subsidiary undertakings or any other person.

(3) References to amounts paid to or receivable by a person include amounts paid to or receivable by a person connected with him or a body corporate controlled by him (but not so as to require an amount to be counted twice).

(4) Except as otherwise provided, the amounts to be shown for any financial year are—

- (a) the sums receivable in respect of that year (whenever paid) or,
- (b) in the case of sums not receivable in respect of a period, the sums paid during that year.

(5) Sums paid by way of expenses allowance that are charged to United Kingdom income tax after the end of the relevant financial year must be shown in a note to the first accounts in which it is practicable to show them and must be distinguished from the amounts to be shown apart from this provision.

(6) Where it is necessary to do so for the purpose of making any distinction required in complying with this Schedule, the directors may apportion payments between the matters in respect of which they have been paid or are receivable in such manner as they think appropriate.

#### **Exclusion of sums liable to be accounted for to company etc.**

6.—(1) The amounts to be shown under this Schedule do not include any sums that are to be accounted for—

- (a) to the company or any of its subsidiary undertakings, or
- (b) by virtue of sections 219 and 222(3) of the 2006 Act (payments in connection with share transfers: duty to account), to persons who sold their shares as a result of the offer made.

(2) Where—

- (a) any such sums are not shown in a note to the accounts for the relevant financial year on the ground that the person receiving them is liable to account for them, and
- (b) the liability is afterwards wholly or partly released or is not enforced within a period of two years,

those sums, to the extent to which the liability is released or not enforced, must be shown in a note to the first accounts in which it is practicable to show them and must be distinguished from the amounts to be shown apart from this provision.

### **Meaning of “remuneration”**

- 7.—(1) In this Schedule “remuneration” of a director includes—
- (a) salary, fees and bonuses, sums paid by way of expenses allowance (so far as they are chargeable to United Kingdom income tax), and
  - (b) subject to sub-paragraph (2), the estimated money value of any other benefits received by him otherwise than in cash.
- (2) The expression does not include—
- (a) the value of any share options granted to a director or the amount of any gains made on the exercise of any such options,
  - (b) any company contributions paid, or treated as paid, in respect of him under any pension scheme or any benefits to which he is entitled under any such scheme, or
  - (c) any money or other assets paid to or received or receivable by him under any long term incentive scheme.

### **Meaning of “long term incentive scheme”**

- 8.—(1) In this Schedule “long term incentive scheme” means an agreement or arrangement—
- (a) under which money or other assets may become receivable by a director, and
  - (b) which includes one or more qualifying conditions with respect to service or performance which cannot be fulfilled within a single financial year.
- (2) For this purpose the following must be disregarded—
- (a) bonuses the amount of which falls to be determined by reference to service or performance within a single financial year;
  - (b) compensation for loss of office, payments for breach of contract and other termination payments; and
  - (c) retirement benefits.

### **Meaning of “shares” and “share option” and related expressions**

9. In this Schedule—
- (a) “shares” means shares (whether allotted or not) in the company, or any undertaking which is a group undertaking in relation to the company, and includes a share warrant as defined by section 779(1) of the 2006 Act; and
  - (b) “share option” means a right to acquire shares.

### **Meaning of “pension scheme” and related expressions**

- 10.—(1) In this Schedule—
- “pension scheme” means a retirement benefits scheme as defined by section 611 of the Income and Corporation Taxes Act 1988(a); and
- “retirement benefits” has the meaning given by section 612(1) of that Act.
- (2) In this Schedule, “company contributions”, in relation to a pension scheme and a director, means any payments (including insurance premiums) made, or treated as made, to the scheme in respect of the director by a person other than the director.
- (3) In this Schedule, in relation to a director—
- “defined benefits” means retirement benefits payable under a pension scheme that are not money purchase benefits;

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(a) 1988 c.1.

“defined benefit scheme” means a pension scheme that is not a money purchase scheme;

“money purchase benefits” means retirement benefits payable under a pension scheme the rate or amount of which is calculated by reference to payments made, or treated as made, by the director or by any other person in respect of the director and which are not average salary benefits; and

“money purchase scheme” means a pension scheme under which all of the benefits that may become payable to or in respect of the director are money purchase benefits.

(4) Where a pension scheme provides for any benefits that may become payable to or in respect of any director to be whichever are the greater of—

- (a) money purchase benefits as determined by or under the scheme; and
- (b) defined benefits as so determined,

the company may assume for the purposes of this paragraph that those benefits will be money purchase benefits, or defined benefits, according to whichever appears more likely at the end of the financial year.

(5) For the purpose of determining whether a pension scheme is a money purchase or defined benefit scheme, any death in service benefits provided for by the scheme are to be disregarded.

### **References to subsidiary undertakings**

**11.**—(1) Any reference in this Schedule to a subsidiary undertaking of the company, in relation to a person who is or was, while a director of the company, a director also, by virtue of the company’s nomination (direct or indirect) of any other undertaking, includes that undertaking, whether or not it is or was in fact a subsidiary undertaking of the company.

(2) Any reference to a subsidiary undertaking of the company—

- (a) for the purposes of paragraph 1 (remuneration etc.) is to an undertaking which is a subsidiary undertaking at the time the services were rendered, and
- (b) for the purposes of paragraph 2 (compensation for loss of office) is to a subsidiary undertaking immediately before the loss of office as director.

### **Other minor definitions**

**12.**—(1) In this Schedule—

“net value”, in relation to any assets received or receivable by a director, means value after deducting any money paid or other value given by the director in respect of those assets;

“qualifying services”, in relation to any person, means his services as a director of the company, and his services while director of the company—

- (a) as director of any of its subsidiary undertakings; or
- (b) otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings.

(2) For the purposes of this Schedule, remuneration paid or receivable or share options granted in respect of a person’s accepting office as a director are treated as emoluments paid or receivable or share options granted in respect of his services as a director.

COMPANIES ACT ABBREVIATED ACCOUNTS FOR DELIVERY  
TO REGISTRAR OF COMPANIES

## PART 1

## THE REQUIRED BALANCE SHEET FORMATS

1.—(1) A company may deliver to the registrar a copy of the balance sheet showing the items listed in either of the balance sheet formats set out below, in the order and under the headings and sub-headings given in the format adopted, but in other respects corresponding to the full balance sheet.

(2) The copy balance sheet must contain in a prominent position a statement that it has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

**Balance sheet formats***Format 1*

- A. Called up share capital not paid
- B. Fixed assets
  - I. Intangible assets
  - II. Tangible assets
  - III. Investments
- C. Current assets
  - I. Stocks
  - II. Debtors (*I*)
  - III. Investments
  - IV. Cash at bank and in hand
- D. Prepayments and accrued income
- E. Creditors: amounts falling due within one year
- F. Net current assets (liabilities)
- G. Total assets less current liabilities
- H. Creditors: amounts falling due after more than one year
- I. Provisions for liabilities
- J. Accruals and deferred income
- K. Capital and reserves
  - I. Called up share capital

- II. Share premium account
- III. Revaluation reserve
- IV. Other reserves
- V. Profit and loss account

### **Balance sheet formats**

#### *Format 2*

#### ASSETS

- A. Called up share capital not paid
- B. Fixed assets
  - I. Intangible assets
  - II. Tangible assets
  - III. Investments
- C. Current assets
  - I. Stocks
  - II. Debtors (1)
  - III. Investments
  - IV. Cash at bank and in hand
- D. Prepayments and accrued income

#### LIABILITIES

- A. Capital and reserves
  - I. Called up share capital
  - II. Share premium account
  - III. Revaluation reserve
  - IV. Other reserves
  - V. Profit and loss account
- B. Provisions for liabilities
- C. Creditors (2)
- D. Accruals and deferred income

### **Notes on the balance sheet formats**

#### *(1) Debtors*

(Formats 1 and 2, items C.II.)

The aggregate amount of debtors falling due after more than one year must be shown separately, unless it is disclosed in the notes to the accounts.

#### *(2) Creditors*

(Format 2, Liabilities item C.)

The aggregate amount of creditors falling due within one year and of creditors falling due after more than one year must be shown separately, unless it is disclosed in the notes to the accounts.

## PART 2

### NOTES TO THE ACCOUNTS

#### **Preliminary**

2. Any information required in the case of any company by the following provisions of this Part of this Schedule must (if not given in the company's accounts) be given by way of a note to those accounts.

#### **Disclosure of accounting policies**

3. The accounting policies adopted by the company in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the company must be stated (including such policies with respect to the depreciation and diminution in value of assets).

#### *Information supplementing the balance sheet*

#### **Share capital and debentures**

4.—(1) Where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted must be given.

(2) In the case of any part of the allotted share capital that consists of redeemable shares, the following information must be given—

- (a) the earliest and latest dates on which the company has power to redeem those shares,
- (b) whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company or of the shareholder, and
- (c) whether any (and, if so, what) premium is payable on redemption.

5. If the company has allotted any shares during the financial year, the following information must be given—

- (a) the classes of shares allotted, and
- (b) as respects each class of shares, the number allotted, their aggregate nominal value, and the consideration received by the company for the allotment.

#### **Fixed assets**

6.—(1) In respect of each item to which a letter or Roman number is assigned under the general item "fixed assets" in the company's balance sheet the following information must be given—

- (a) the appropriate amounts in respect of that item as at the date of the beginning of the financial year and as at the balance sheet date respectively,
- (b) the effect on any amount shown in the balance sheet in respect of that item of—
  - (i) any revision of the amount in respect of any assets included under that item made during that year on any basis mentioned in paragraph 32 of Schedule 1 to these Regulations,
  - (ii) acquisitions during that year of any assets,
  - (iii) disposals during that year of any assets, and
  - (iv) any transfers of assets of the company to and from that item during that year.

(2) The reference in sub-paragraph (1)(a) to the appropriate amounts in respect of any item as at any date there mentioned is a reference to amounts representing the aggregate amounts determined, as at that date, in respect of assets falling to be included under that item on either of the following bases, that is to say—

- (a) on the basis of purchase price or production cost (determined in accordance with paragraphs 27 and 28 of Schedule 1 to these Regulations), or
- (b) on any basis mentioned in paragraph 32 of that Schedule,

(leaving out of account in either case any provisions for depreciation or diminution in value).

(3) In respect of each item within sub-paragraph (1) there must also be stated—

- (a) the cumulative amount of provisions for depreciation or diminution in value of assets included under that item as at each date mentioned in sub-paragraph (1)(a),
- (b) the amount of any such provisions made in respect of the financial year,
- (c) the amount of any adjustments made in respect of any such provisions during that year in consequence of the disposal of any assets, and
- (d) the amount of any other adjustments made in respect of any such provisions during that year.

### **Financial fixed assets**

7.—(1) This paragraph applies if—

- (a) the company has financial fixed assets that could be included at fair value by virtue of paragraph 36 of Schedule 1 to these Regulations,
- (b) the amount at which those items 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.

### **Details of indebtedness**

8.—(1) For the aggregate of all items shown under "creditors" in the company's balance sheet there must be stated the aggregate of the following amounts—

- (a) the amount of any debts included under "creditors" which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year, and
- (b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period.

(2) In respect of each item shown under "creditors" in the company's balance sheet there must be stated the aggregate amount of any debts included under that item in respect of which any security has been given by the company.

**Sums denominated in foreign currencies**

9. Where sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into sterling (or the currency in which the accounts are drawn up) must be stated.

**Dormant companies acting as agents**

10. Where the directors of a company take advantage of the exemption conferred by section 480 of the 2006 Act (dormant companies: exemption from audit), 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.

## MATTERS TO BE DEALT WITH IN DIRECTORS' REPORT

**Introduction**

1. In addition to the information required by section 416 of the 2006 Act, the directors' report must contain the following information.

**Political donations and expenditure**

2.—(1) If—

- (a) the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year—
  - (i) made any political donation to any political party or other political organisation,
  - (ii) made any political donation to any independent election candidate, or
  - (iii) incurred any political expenditure, and
- (b) the amount of the donation or expenditure, or (as the case may be) the aggregate amount of all donations and expenditure falling within paragraph (a), exceeded £2000,

the directors' report for the year must contain the following particulars.

(2) Those particulars are—

- (a) as respects donations falling within sub-paragraph (1)(a)(i) or (ii)—
  - (i) the name of each political party, other political organisation or independent election candidate to whom any such donation has been made, and
  - (ii) the total amount given to that party, organisation or candidate by way of such donations in the financial year; and
- (b) as respects expenditure falling within sub-paragraph (1)(a)(iii), the total amount incurred by way of such expenditure in the financial year.

(3) If—

- (a) at the end of the financial year the company has subsidiaries which have, in that year, made any donations or incurred any such expenditure as is mentioned in sub-paragraph (1)(a), and
- (b) it is not itself the wholly-owned subsidiary of a company incorporated in the United Kingdom,

the directors' report for the year is not, by virtue of sub-paragraph (1), required to contain the particulars specified in sub-paragraph (2).

But, if the total amount of any such donations or expenditure (or both) made or incurred in that year by the company and the subsidiaries between them exceeds £2000, the directors' report for the year must contain those particulars in relation to each body by whom any such donation or expenditure has been made or incurred.

(4) Any expression used in this paragraph which is also used in Part 14 of the 2006 Act (control of political donations and expenditure) has the same meaning as in that Part.

3.—(1) If the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year made any contribution to a non-EU political party, the directors' report for the year must contain—

- (a) a statement of the amount of the contribution, or

- (b) (if it has made two or more such contributions in the year) a statement of the total amount of the contributions.

(2) If—

- (a) at the end of the financial year the company has subsidiaries which have, in that year, made any such contributions as are mentioned in sub-paragraph (1), and
- (b) it is not itself the wholly-owned subsidiary of a company incorporated in the United Kingdom,

the directors' report for the year is not, by virtue of sub-paragraph (1), required to contain any such statement as is there mentioned, but it must instead contain a statement of the total amount of the contributions made in the year by the company and the subsidiaries between them.

(3) In this paragraph, "contribution", in relation to an organisation, means—

- (a) any gift of money to the organisation (whether made directly or indirectly);
- (b) any subscription or other fee paid for affiliation to, or membership of, the organisation; or
- (c) any money spent (otherwise than by the organisation or a person acting on its behalf) in paying any expenses incurred directly or indirectly by the organisation.

(4) In this paragraph, "non-EU political party" means any political party which carries on, or proposes to carry on, its activities wholly outside the member States.

### **Charitable donations**

4.—(1) If—

- (a) the company (not being the wholly-owned subsidiary of a company incorporated in the United Kingdom) has in the financial year given money for charitable purposes, and
- (b) the money given exceeded £2000 in amount,

the directors' report for the year must contain, in the case of each of the purposes for which money has been given, a statement of the amount of money given for that purpose.

(2) If—

- (a) at the end of the financial year the company has subsidiaries which have, in that year, given money for charitable purposes, and
- (b) it is not itself the wholly owned subsidiary of a company incorporated in the United Kingdom,

sub-paragraph (1) does not apply to the company.

But, if the amount given in that year for charitable purposes by the company and the subsidiaries between them exceeds £2000, the directors' report for the year must contain, in the case of each of the purposes for which money has been given by the company and the subsidiaries between them, a statement of the amount of money given for that purpose.

(3) Money given for charitable purposes to a person who, when it was given, was ordinarily resident outside the United Kingdom is to be left out of account for the purposes of this paragraph.

(4) For the purposes of this paragraph, "charitable purposes" means purposes which are exclusively charitable, and as respects Scotland a purpose is charitable if it is listed in section 7(2) of the Charities and Trustee Investment (Scotland) Act 2005(a).

### **Disclosure concerning employment etc. of disabled persons**

5.—(1) This paragraph applies to the directors' report where the average number of persons employed by the company in each week during the financial year exceeded 250.

(2) That average number is the quotient derived by dividing, by the number of weeks in the financial year, the number derived by ascertaining, in relation to each of those weeks, the number

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(a) 2005 asp 10.

of persons who, under contracts of service, were employed in the week (whether throughout it or not) by the company, and adding up the numbers ascertained.

(3) The directors' report must in that case contain a statement describing such policy as the company has applied during the financial year—

- (a) for giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities,
- (b) for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company, and
- (c) otherwise for the training, career development and promotion of disabled persons employed by the company.

(4) In this paragraph—

- (a) “employment” means employment other than employment to work wholly or mainly outside the United Kingdom, and “employed” and “employee” are to be construed accordingly; and
- (b) “disabled person” means the same as in the Disability Discrimination Act 1995(a).

#### **Disclosure required by company acquiring its own shares etc.**

6.—(1) This paragraph applies where shares in a company—

- (a) are purchased by the company or are acquired by it by forfeiture or surrender in lieu of forfeiture, or in pursuance of any of the following provisions (acquisition of own shares by company limited by shares)—
  - (i) section 143(3) of the Companies Act 1985(b),
  - (ii) Article 153(3) of the Companies (Northern Ireland) Order 1986(c), or
  - (iii) section 659 of the 2006 Act, or
- (b) are acquired by another person in circumstances where paragraph (c) or (d) of any of the following provisions applies (acquisition by company's nominee, or by another with company financial assistance, the company having a beneficial interest)—
  - (i) section 146(1) of the Companies Act 1985(d),
  - (ii) Article 156(1) of the Companies (Northern Ireland) Order 1986(e), or
  - (iii) section 662(1) of the 2006 Act, or
- (c) are made subject to a lien or other charge taken (whether expressly or otherwise) by the company and permitted by any of the following provisions (exceptions from general rule against a company having a lien or charge on its own shares)—
  - (i) section 150(2) or (4) of the Companies Act 1985(f),
  - (ii) Article 160(2) or (4) of the Companies (Northern Ireland) Order 1986(g), or
  - (iii) section 670(2) or (4) of the 2006 Act.

(2) The directors' report for a financial year must state—

- (a) the number and nominal value of the shares so purchased, the aggregate amount of the consideration paid by the company for such shares and the reasons for their purchase;

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(a) 1995 c.50.

(b) Section 143 is prospectively repealed by the 2006 Act.

(c) Article 153 is prospectively repealed by the 2006 Act.

(d) Section 146(1)(aa) was inserted by section 102C(5) of 1986 c.53, as inserted by section 1(1) of 1997 c.41. Section 146 is prospectively repealed by the 2006 Act.

(e) Article 156(1)(aa) was inserted by section 102C(6) of 1986 c.53, as inserted by section 1(1) of 1997 c.41. Article 156 is prospectively repealed by the 2006 Act.

(f) Section 150 is prospectively repealed by the 2006 Act.

(g) Article 160 is prospectively repealed by the 2006 Act.

- (b) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances and so charged respectively during the financial year;
- (c) the maximum number and nominal value of shares which, having been so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) are held at any time by the company or that other person during that year;
- (d) the number and nominal value of the shares so acquired by the company, acquired by another person in such circumstances or so charged (whether or not during that year) which are disposed of by the company or that other person or cancelled by the company during that year;
- (e) where the number and nominal value of the shares of any particular description are stated in pursuance of any of the preceding sub-paragraphs, the percentage of the called-up share capital which shares of that description represent;
- (f) where any of the shares have been so charged the amount of the charge in each case; and
- (g) where any of the shares have been disposed of by the company or the person who acquired them in such circumstances for money or money's worth the amount or value of the consideration in each case.

## GROUP ACCOUNTS

## PART 1

## FORM AND CONTENT OF COMPANIES ACT GROUP ACCOUNTS

**General rules**

1.—(1) Subject to sub-paragraphs (1) and (2), group accounts must comply so far as practicable with the provisions of Schedule 1 to these Regulations (Companies Act individual accounts) as if the undertakings included in the consolidation (“the group”) were a single company.

(2) For item B.III in each balance sheet format set out in that Schedule substitute—

“B. III. Investments

1. Shares in group undertakings
2. Interests in associated undertakings
3. Other participating interests
4. Loans to group undertakings and undertakings in which a participating interest is held
5. Other investments other than loans
6. Others”.

(3) In the profit and loss account formats replace the items headed “Income from participating interests”, that is—

- (a) in Format 1, item 8,
- (b) in Format 2, item 10,
- (c) in Format 3, item B.4, and
- (d) in Format 4, item B.6,

by two items: “Income from interests in associated undertakings” and “Income from other participating interests”.

2.—(1) The consolidated balance sheet and profit and loss account must incorporate in full the information contained in the individual accounts of the undertakings included in the consolidation, subject to the adjustments authorised or required by the following provisions of this Schedule and to such other adjustments (if any) as may be appropriate in accordance with generally accepted accounting principles or practice.

(2) If the financial year of a subsidiary undertaking included in the consolidation does not end with that of the parent company, the group accounts must be made up—

- (a) from the accounts of the subsidiary undertaking for its financial year last ending before the end of the parent company’s financial year, provided that year ended no more than three months before that of the parent company, or
- (b) from interim accounts prepared by the subsidiary undertaking as at the end of the parent company’s financial year.

3.—(1) Where assets and liabilities to be included in the group accounts have been valued or otherwise determined by undertakings according to accounting rules differing from those used for the group accounts, the values or amounts must be adjusted so as to accord with the rules used for the group accounts.

(2) If it appears to the directors of the parent company that there are special reasons for departing from sub-paragraph (1) they may do so, but particulars of any such departure, the reasons for it and its effect must be given in a note to the accounts.

(3) The adjustments referred to in this paragraph need not be made if they are not material for the purpose of giving a true and fair view.

4. Any differences of accounting rules as between a parent company's individual accounts for a financial year and its group accounts must be disclosed in a note to the latter accounts and the reasons for the difference given.

5. Amounts that in the particular context of any provision of this Schedule are not material may be disregarded for the purposes of that provision.

### **Elimination of group transactions**

6.—(1) Debts and claims between undertakings included in the consolidation, and income and expenditure relating to transactions between such undertakings, must be eliminated in preparing the group accounts.

(2) Where profits and losses resulting from transactions between undertakings included in the consolidation are included in the book value of assets, they must be eliminated in preparing the group accounts.

(3) The elimination required by sub-paragraph (2) may be effected in proportion to the group's interest in the shares of the undertakings.

(4) Sub-paragraphs (1) and (2) need not be complied with if the amounts concerned are not material for the purpose of giving a true and fair view.

### **Acquisition and merger accounting**

7.—(1) The following provisions apply where an undertaking becomes a subsidiary undertaking of the parent company.

(2) That event is referred to in those provisions as an "acquisition", and references to the "undertaking acquired" are to be construed accordingly.

8. An acquisition must be accounted for by the acquisition method of accounting unless the conditions for accounting for it as a merger are met and the merger method of accounting is adopted.

9.—(1) The acquisition method of accounting is as follows.

(2) The identifiable assets and liabilities of the undertaking acquired must be included in the consolidated balance sheet at their fair values as at the date of acquisition.

(3) The income and expenditure of the undertaking acquired must be brought into the group accounts only as from the date of the acquisition.

(4) There must be set off against the acquisition cost of the interest in the shares of the undertaking held by the parent company and its subsidiary undertakings the interest of the parent company and its subsidiary undertakings in the adjusted capital and reserves of the undertaking acquired.

(5) The resulting amount if positive must be treated as goodwill, and if negative as a negative consolidation difference.

10.—(1) The conditions for accounting for an acquisition as a merger are—

- (a) that at least 90% of the nominal value of the relevant shares in the undertaking acquired (excluding any shares in the undertaking held as treasury shares) is held by or on behalf of the parent company and its subsidiary undertakings,

- (b) that the proportion referred to in paragraph (a) was attained pursuant to an arrangement providing for the issue of equity shares by the parent company or one or more of its subsidiary undertakings,
- (c) that the fair value of any consideration other than the issue of equity shares given pursuant to the arrangement by the parent company and its subsidiary undertakings did not exceed 10% of the nominal value of the equity shares issued, and
- (d) that adoption of the merger method of accounting accords with generally accepted accounting principles or practice.

(2) The reference in sub-paragraph (1)(a) to the “relevant shares” in an undertaking acquired is to those carrying unrestricted rights to participate both in distributions and in the assets of the undertaking upon liquidation.

**11.—**(1) The merger method of accounting is as follows.

(2) The assets and liabilities of the undertaking acquired must be brought into the group accounts at the figures at which they stand in the undertaking’s accounts, subject to any adjustment authorised or required by this Schedule.

(3) The income and expenditure of the undertaking acquired must be included in the group accounts for the entire financial year, including the period before the acquisition.

(4) The group accounts must show corresponding amounts relating to the previous financial year as if the undertaking acquired had been included in the consolidation throughout that year.

(5) There must be set off against the aggregate of—

- (a) the appropriate amount in respect of qualifying shares issued by the parent company or its subsidiary undertakings in consideration for the acquisition of shares in the undertaking acquired, and
- (b) the fair value of any other consideration for the acquisition of shares in the undertaking acquired, determined as at the date when those shares were acquired,

the nominal value of the issued share capital of the undertaking acquired held by the parent company and its subsidiary undertakings.

(6) The resulting amount must be shown as an adjustment to the consolidated reserves.

(7) In sub-paragraph (5)(a) “qualifying shares” means—

- (a) shares in relation to which any of the following provisions applies (merger relief), and in respect of which the appropriate amount is the nominal value—
  - (i) section 131 of the Companies Act 1985(a),
  - (ii) Article 141 of the Companies (Northern Ireland) Order 1986(b), or
  - (iii) section 612 of the 2006 Act, or
- (b) shares in relation to which any of the following provisions applies (group reconstruction relief), and in respect of which the appropriate amount is the nominal value together with any minimum premium value within the meaning of that section—
  - (i) section 132 of the Companies Act 1985(c),
  - (ii) Article 142 of the Companies (Northern Ireland) Order 1986(d), or
  - (iii) section 611 of the 2006 Act.

**12.—**(1) Where a group is acquired, paragraphs 9 to 11 apply with the following adaptations.

(2) References to shares of the undertaking acquired are to be construed as references to shares of the parent undertaking of the group.

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(a) Section 131 is prospectively repealed by the 2006 Act.  
 (b) Article 141 is prospectively repealed by the 2006 Act.  
 (c) Section 132 is prospectively repealed by the 2006 Act.  
 (d) Article 142 is prospectively repealed by the 2006 Act.

(3) Other references to the undertaking acquired are to be construed as references to the group; and references to the assets and liabilities, income and expenditure and capital and reserves of the undertaking acquired must be construed as references to the assets and liabilities, income and expenditure and capital and reserves of the group after making the set-offs and other adjustments required by this Schedule in the case of group accounts.

**13.—**(1) The following information with respect to acquisitions taking place in the financial year must be given in a note to the accounts.

(2) There must be stated—

- (a) the name of the undertaking acquired or, where a group was acquired, the name of the parent undertaking of that group, and
- (b) whether the acquisition has been accounted for by the acquisition or the merger method of accounting;

and in relation to an acquisition which significantly affects the figures shown in the group accounts, the following further information must be given.

(3) The composition and fair value of the consideration for the acquisition given by the parent company and its subsidiary undertakings must be stated.

(4) Where the acquisition method of accounting has been adopted, the book values immediately prior to the acquisition, and the fair values at the date of acquisition, of each class of assets and liabilities of the undertaking or group acquired must be stated in tabular form, including a statement of the amount of any goodwill or negative consolidation difference arising on the acquisition, together with an explanation of any significant adjustments made.

(5) In ascertaining for the purposes of sub-paragraph (4) the profit or loss of a group, the book values and fair values of assets and liabilities of a group or the amount of the assets and liabilities of a group, the set-offs and other adjustments required by this Schedule in the case of group accounts must be made.

**14.—**(1) There must also be stated in a note to the accounts the cumulative amount of goodwill resulting from acquisitions in that and earlier financial years which has been written off otherwise than in the consolidated profit and loss account for that or any earlier financial year.

(2) That figure must be shown net of any goodwill attributable to subsidiary undertakings or businesses disposed of prior to the balance sheet date.

**15.** Where during the financial year there has been a disposal of an undertaking or group which significantly affects the figure shown in the group accounts, there must be stated in a note to the accounts—

- (a) the name of that undertaking or, as the case may be, of the parent undertaking of that group, and
- (b) the extent to which the profit or loss shown in the group accounts is attributable to profit or loss of that undertaking or group.

**16.** The information required by paragraph 13, 14 or 15 need not be disclosed with respect to an undertaking which—

- (a) is established under the law of a country outside the United Kingdom, or
- (b) carries on business outside the United Kingdom,

if in the opinion of the directors of the parent company the disclosure would be seriously prejudicial to the business of that undertaking or to the business of the parent company or any of its subsidiary undertakings and the Secretary of State agrees that the information should not be disclosed.

### **Minority interests**

**17.—**(1) The formats set out in Schedule 1 to these Regulations have effect in relation to group accounts with the following additions.

(2) In the Balance Sheet Formats there must be shown, as a separate item and under an appropriate heading, the amount of capital and reserves attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

(3) In the Profit and Loss Account Formats there must be shown, as a separate item and under an appropriate heading—

(a) the amount of any profit or loss on ordinary activities, and

(b) the amount of any profit or loss on extraordinary activities,

attributable to shares in subsidiary undertakings included in the consolidation held by or on behalf of persons other than the parent company and its subsidiary undertakings.

(4) For the purposes of paragraph 4 of Schedule 1 (power to adapt or combine items)—

(a) the additional item required by sub-paragraph (2) is treated as one to which a letter is assigned, and

(b) the additional items required by sub-paragraph (3)(a) and (b) are treated as ones to which an Arabic number is assigned.

### **Joint ventures**

**18.**—(1) Where an undertaking included in the consolidation manages another undertaking jointly with one or more undertakings not included in the consolidation, that other undertaking (“the joint venture”) may, if it is not—

(a) a body corporate, or

(b) a subsidiary undertaking of the parent company,

be dealt with in the group accounts by the method of proportional consolidation.

(2) The provisions of this Schedule relating to the preparation of consolidated accounts apply, with any necessary modifications, to proportional consolidation under this paragraph.

### **Associated undertakings**

**19.**—(1) An “associated undertaking” means an undertaking in which an undertaking included in the consolidation has a participating interest and over whose operating and financial policy it exercises a significant influence, and which is not—

(a) a subsidiary undertaking of the parent company, or

(b) a joint venture dealt with in accordance with paragraph 18.

(2) Where an undertaking holds 20% or more of the voting rights in another undertaking, it is presumed to exercise such an influence over it unless the contrary is shown.

(3) The voting rights in an undertaking means the rights conferred on shareholders in respect of their shares or, in the case of an undertaking not having a share capital, on members, to vote at general meetings of the undertaking on all, or substantially all, matters.

(4) The provisions of paragraphs 5 to 11 of Schedule 7 to the 2006 Act (parent and subsidiary undertakings: rights to be taken into account and attribution of rights) apply in determining for the purposes of this paragraph whether an undertaking holds 20% or more of the voting rights in another undertaking.

**20.**—(1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, must be shown by the equity method of accounting (including dealing with any goodwill arising in accordance with paragraphs 17 to 20 and 22 of Schedule 1 to these Regulations).

(2) Where the associated undertaking is itself a parent undertaking, the net assets and profits or losses to be taken into account are those of the parent and its subsidiary undertakings (after making any consolidation adjustments).

(3) The equity method of accounting need not be applied if the amounts in question are not material for the purpose of giving a true and fair view.

## PART 2

### INFORMATION ABOUT RELATED UNDERTAKINGS WHERE COMPANY PREPARING GROUP ACCOUNTS (COMPANIES ACT OR IAS GROUP ACCOUNTS)

#### **Introduction and interpretation**

21. In this Part of this Schedule “the group” means the group consisting of the parent company and its subsidiary undertakings.

#### **Subsidiary undertakings**

22.—(1) The following information must be given with respect to the undertakings that are subsidiary undertakings of the parent company at the end of the financial year.

(2) The name of each undertaking must be stated.

(3) There must be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
- (b) if it is unincorporated, the address of its principal place of business.

(4) It must also be stated whether the subsidiary undertaking is included in the consolidation and, if it is not, the reasons for excluding it from consolidation must be given.

(5) It must be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in section 1162(2) or (4) of the 2006 Act it is a subsidiary undertaking of its immediate parent undertaking.

That information need not be given if the relevant condition is that specified in subsection (2)(a) of that section (holding of a majority of the voting rights) and the immediate parent undertaking holds the same proportion of the shares in the undertaking as it holds voting rights.

#### **Holdings in subsidiary undertakings**

23.—(1) The following information must be given with respect to the shares of a subsidiary undertaking held—

- (a) by the parent company, and
- (b) by the group,

and the information under paragraphs (a) and (b) must (if different) be shown separately.

(2) There must be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

#### **Financial information about subsidiary undertakings not included in the consolidation**

24.—(1) There must be shown with respect to each subsidiary undertaking not included in the consolidation—

- (a) the aggregate amount of its capital and reserves as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given if the group's investment in the undertaking is included in the accounts by way of the equity method of valuation or if—

- (a) the undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the holding of the group is less than 50% of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of a subsidiary undertaking is—

- (a) if its financial year ends with that of the company, that year, and
- (b) if not, its financial year ending last before the end of the company's financial year.

### **Shares of company held by subsidiary undertakings**

**25.**—(1) The number, description and amount of the shares in the company held by or on behalf of its subsidiary undertakings must be disclosed.

(2) Sub-paragraph (1) does not apply in relation to shares in the case of which the subsidiary undertaking is concerned as personal representative or, subject as follows, as trustee.

(3) The exception for shares in relation to which the subsidiary undertaking is concerned as trustee does not apply if the company or any of its subsidiary undertakings is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

(4) Part 2 of Schedule 2 to these Regulations has effect for the interpretation of the reference in sub-paragraph (3) to a beneficial interest under a trust.

### **Joint ventures**

**26.**—(1) The following information must be given where an undertaking is dealt with in the consolidated accounts by the method of proportional consolidation in accordance with paragraph 18 of this Schedule (joint ventures)—

- (a) the name of the undertaking,
- (b) the address of the principal place of business of the undertaking,
- (c) the factors on which joint management of the undertaking is based, and
- (d) the proportion of the capital of the undertaking held by undertakings included in the consolidation.

(2) Where the financial year of the undertaking did not end with that of the company, there must be stated the date on which a financial year of the undertaking last ended before that date.

### **Associated undertakings**

**27.**—(1) The following information must be given where an undertaking included in the consolidation has an interest in an associated undertaking.

(2) The name of the associated undertaking must be stated.

(3) There must be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
- (b) if it is unincorporated, the address of its principal place of business.

(4) The following information must be given with respect to the shares of the undertaking held—

- (a) by the parent company, and

(b) by the group,  
and the information under paragraphs (a) and (b) must be shown separately.

(5) There must be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

(6) In this paragraph “associated undertaking” has the meaning given by paragraph 19 of this Schedule; and the information required by this paragraph must be given notwithstanding that paragraph 20(3) of this Schedule (materiality) applies in relation to the accounts themselves.

### **Other significant holdings of parent company or group**

**28.**—(1) The information required by paragraphs 29 and 30 must be given where at the end of the financial year the parent company has a significant holding in an undertaking which is not one of its subsidiary undertakings and does not fall within paragraph 26 (joint ventures) or paragraph 27 (associated undertakings).

(2) A holding is significant for this purpose if—

- (a) it amounts to 20% or more of the nominal value of any class of shares in the undertaking, or
- (b) the amount of the holding (as stated or included in the company’s individual accounts) exceeds 20% of the amount of its assets (as so stated).

**29.**—(1) The name of the undertaking must be stated.

(2) There must be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
- (b) if it is unincorporated, the address of its principal place of business.

(3) The following information must be given with respect to the shares of the undertaking held by the parent company.

(4) There must be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

**30.**—(1) There must also be stated—

- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given in respect of an undertaking if—

- (a) the undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the company’s holding is less than 50% of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of an undertaking is—

- (a) if its financial year ends with that of the company, that year, and
- (b) if not, its financial year ending last before the end of the company’s financial year.

**31.**—(1) The information required by paragraphs 32 and 33 must be given where at the end of the financial year the group has a significant holding in an undertaking which is not a subsidiary

undertaking of the parent company and does not fall within paragraph 26 (joint ventures) or paragraph 27 (associated undertakings).

(2) A holding is significant for this purpose if—

- (a) it amounts to 20% or more of the nominal value of any class of shares in the undertaking, or
- (b) the amount of the holding (as stated or included in the group accounts) exceeds 20% of the amount of the group's assets (as so stated).

**32.—**(1) The name of the undertaking must be stated.

(2) There must be stated—

- (a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,
- (b) if it is unincorporated, the address of its principal place of business.

(3) The following information must be given with respect to the shares of the undertaking held by the group.

(4) There must be stated—

- (a) the identity of each class of shares held, and
- (b) the proportion of the nominal value of the shares of that class represented by those shares.

**33.—**(1) There must also be stated—

- (a) the aggregate amount of the capital and reserves of the undertaking as at the end of its relevant financial year, and
- (b) its profit or loss for that year.

(2) That information need not be given if—

- (a) the undertaking is not required by any provision of the 2006 Act to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in the United Kingdom or elsewhere, and
- (b) the holding of the group is less than 50% of the nominal value of the shares in the undertaking.

(3) Information otherwise required by this paragraph need not be given if it is not material.

(4) For the purposes of this paragraph the “relevant financial year” of an outside undertaking is—

- (a) if its financial year ends with that of the parent company, that year, and
- (b) if not, its financial year ending last before the end of the parent company's financial year.

### **Parent company's or group's membership of certain undertakings**

**34.—**(1) The information required by this paragraph must be given where at the end of the financial year the parent company or group is a member of a qualifying undertaking.

(2) There must be stated—

- (a) the name and legal form of the undertaking, and
- (b) the address of the undertaking's registered office (whether in or outside the United Kingdom) or, if it does not have such an office, its head office (whether in or outside the United Kingdom).

(3) Where the undertaking is a qualifying partnership there must also be stated either—

- (a) that a copy of the latest accounts of the undertaking has been or is to be appended to the copy of the company's accounts sent to the registrar under section 444 of the 2006 Act, or
- (b) the name of at least one body corporate (which may be the company) in whose group accounts the undertaking has been or is to be dealt with on a consolidated basis.

(4) Information otherwise required by sub-paragraph (2) need not be given if it is not material.

(5) Information otherwise required by sub-paragraph (3)(b) need not be given if the notes to the company's accounts disclose that advantage has been taken of the exemption conferred by regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993(a).

(6) In this paragraph—

“dealt with on a consolidated basis”, “member” and “qualifying partnership” have the same meanings as in the Partnerships and Unlimited Companies (Accounts) Regulations 1993;

“qualifying undertaking” means—

(a) a qualifying partnership, or

(b) an unlimited company each of whose members is—

(i) a limited company,

(ii) another unlimited company each of whose members is a limited company, or

(iii) a Scottish partnership each of whose members is a limited company,

and references in this paragraph to a limited company, another unlimited company or a Scottish partnership include a comparable undertaking incorporated in or formed under the law of a country or territory outside the United Kingdom.

### **Parent undertaking drawing up accounts for larger group**

**35.**—(1) Where the parent company is itself a subsidiary undertaking, the following information must be given with respect to that parent undertaking of the company which heads—

(a) the largest group of undertakings for which group accounts are drawn up and of which that company is a member, and

(b) the smallest such group of undertakings.

(2) The name of the parent undertaking must be stated.

(3) There must be stated—

(a) if the undertaking is incorporated outside the United Kingdom, the country in which it is incorporated,

(b) if it is unincorporated, the address of its principal place of business.

(4) If copies of the group accounts referred to in sub-paragraph (1) are available to the public, there must also be stated the addresses from which copies of the accounts can be obtained.

### **Identification of ultimate parent company**

**36.**—(1) Where the parent company is itself a subsidiary undertaking, the following information must be given with respect to the company (if any) regarded by the directors as being that company's ultimate parent company.

(2) The name of that company must be stated.

(3) If that company is incorporated outside the United Kingdom, the country in which it is incorporated must be stated (if known to the directors).

(4) In this paragraph “company” includes any body corporate.

### **Construction of references to shares held by parent company or group**

**37.**—(1) References in this Part of this Schedule to shares held by the parent company or the group are to be construed as follows.

(2) For the purposes of paragraphs 23, 27(4) and (5) and 28 to 30 (information about holdings in subsidiary and other undertakings)—

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(a) S.I. 1993/1820.

- (a) there must be attributed to the parent company shares held on its behalf by any person; but
- (b) there must be treated as not held by the parent company shares held on behalf of a person other than the company.

(3) References to shares held by the group are to any shares held by or on behalf of the parent company or any of its subsidiary undertakings; but any shares held on behalf of a person other than the parent company or any of its subsidiary undertakings are not to be treated as held by the group.

(4) Shares held by way of security must be treated as held by the person providing the security—

- (a) where apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in accordance with his instructions, and
- (b) where the shares are held in connection with the granting of loans as part of normal business activities and apart from the right to exercise them for the purpose of preserving the value of the security, or of realising it, the rights attached to the shares are exercisable only in his interests.

## INTERPRETATION OF TERM “PROVISIONS”

## PART 1

## MEANING FOR PURPOSES OF THESE REGULATIONS

**Definition of “Provisions”**

1.—(1) In these Regulations, references to provisions for depreciation or diminution in value of assets are to any amount written off by way of providing for depreciation or diminution in value of assets.

(2) Any reference in the profit and loss account formats set out in Part 1 of Schedule 1 to these Regulations to the depreciation of, or amounts written off, assets of any description is to any provision for depreciation or diminution in value of assets of that description.

2. References in these Regulations to provisions for liabilities are to any amount retained as reasonably necessary for the purpose of providing for any liability the nature of which is clearly defined and which is either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which it will arise.

## PART 2

## MEANING FOR PURPOSES OF PARTS 18 AND 23 OF THE 2006 ACT

**Financial assistance for purchase of own shares**

3. The specified provisions for the purposes of section 677(3)(a) of the 2006 Act (Companies Act accounts: relevant provisions for purposes of financial assistance) are provisions for liabilities within paragraph 2 of this Schedule.

**Redemption or purchase by private company out of capital**

4. The specified provisions for the purposes of section 712(2)(b)(i) of the 2006 Act (Companies Act accounts: relevant provisions to determine available profits for redemption or purchase out of capital) are provisions of any of the kinds mentioned in paragraphs 1 and 2 of this Schedule.

**Justification of distribution by references to accounts**

5. The specified provisions for the purposes of section 836(1)(b)(i) of the 2006 Act (Companies Act accounts: relevant provisions for distribution purposes) are provisions of any of the kinds mentioned in paragraphs 1 and 2 of this Schedule.

## GENERAL INTERPRETATION

**Financial instruments**

1. 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 where 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.

2.—(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<sup>(a)</sup>.

(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”.

**Fixed and current assets**

3. “Fixed assets” means assets of a company which are intended for use on a continuing basis in the company’s activities, and “current assets” means assets not intended for such use.

**Historical cost accounting rules**

4. References to the historical cost accounting rules are to be read in accordance with paragraph 30 of Schedule 1 to these Regulations.

**Listed investments**

5.—(1) “Listed investment” means an investment as respects which there has been granted a listing on—

- (a) a recognised investment exchange other than an overseas investment exchange, or
- (b) a stock exchange of repute outside the United Kingdom.

(2) “Recognised investment exchange” and “overseas investment exchange” have the meaning given in Part 18 of the Financial Services and Markets Act 2000<sup>(b)</sup>.

**Loans**

6. A loan is treated as falling due for repayment, and an instalment of a loan is treated as falling due for payment, on the earliest date on which the lender could require repayment or (as the case may be) payment, if he exercised all options and rights available to him.

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(a) O.J. L222 of 14.8.1978, page 11, as amended in particular by Directives 2001/65/EEC, 2003/51/EEC and 2006/46/EEC of the European Parliament and of the Council (O.J. L238 of 27.12.2001, page 28, O.J. L178 of 17.7.2003, page 16 and O.J. L224 of 16.8.2006, page 1).

(b) 2000 c.8.

## **Materiality**

7. Amounts which in the particular context of any provision of Schedule 1 to these Regulations are not material may be disregarded for the purposes of that provision.

## **Participating interests**

8.—(1) A “participating interest” means an interest held by an undertaking in the shares of another undertaking which it holds on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest.

(2) A holding of 20% or more of the shares of the undertaking is to be presumed to be a participating interest unless the contrary is shown.

(3) The reference in sub-paragraph (1) to an interest in shares includes—

- (a) an interest which is convertible into an interest in shares, and
- (b) an option to acquire shares or any such interest,

and an interest or option falls within paragraph (a) or (b) notwithstanding that the shares to which it relates are, until the conversion or the exercise of the option, unissued.

(4) For the purposes of this paragraph an interest held on behalf of an undertaking is to be treated as held by it.

(5) In the balance sheet and profit and loss formats set out in Part 1 of Schedule 1 and Part 1 of Schedule 4 to these Regulations, “participating interest” does not include an interest in a group undertaking.

(6) For the purpose of this paragraph as it applies in relation to the expression “participating interest”—

- (a) in those formats as they apply in relation to group accounts, and
- (b) in paragraph 19 of Schedule 6 (group accounts: undertakings to be accounted for as associated undertakings),

the references in sub-paragraphs (1) to (4) to the interest held by, and the purposes and activities of, the undertaking concerned are to be construed as references to the interest held by, and the purposes and activities of, the group (within the meaning of paragraph 1 of that Schedule).

## **Purchase price**

9. “Purchase price”, in relation to an asset of a company or any raw materials or consumables used in the production of such an asset, includes any consideration (whether in cash or otherwise) given by the company in respect of that asset or those materials or consumables, as the case may be.

## **Realised profits and losses**

10. “Realised profits” and “realised losses” have the same meaning as in section 853(4) and (5) of the 2006 Act.

## **Staff costs**

11.—(1) “Social security costs” means any contributions by the company to any state social security or pension scheme, fund or arrangement.

(2) “Pension costs” includes—

- (a) any costs incurred by the company in respect of any pension scheme established for the purpose of providing pensions for persons currently or formerly employed by the company,
- (b) any sums set aside for the future payment of pensions directly by the company to current or former employees, and

(c) any pensions paid directly to such persons without having first been set aside.

(3) Any amount stated in respect of the item “social security costs” or in respect of the item “wages and salaries” in the company’s profit and loss account must be determined by reference to payments made or costs incurred in respect of all persons employed by the company during the financial year under contracts of service.

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations specify the form and content of the accounts and directors' report of companies subject to the small companies regime under Part 15 of the Companies Act 2006 (c.46) ("the 2006 Act"). Section 381 of the 2006 Act defines what is meant by "small companies regime". The Regulations replace provisions previously contained in the Schedules to Part 7 of the Companies Act 1985 (c.6) ("the 1985 Act") and in the Schedules to Part 8 of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)) ("the 1986 Order"). They extend to the whole of the United Kingdom, reflecting the extent of the 2006 Act.

The Regulations come into force on 6th April 2008, and apply in relation to financial years beginning on or after that date (regulation 2). The corresponding provisions of the 1985 Act or the 1986 Order continue to apply to accounts and directors' reports for financial years beginning before that date.

The Regulations continue the implementation of the following Directives-

Council Directive 78/660/EEC on the annual accounts of certain types of companies ("the Fourth Directive") (O.J.L222 of 14.8.1978, page 1), and

Council Directive 83/349/EEC on consolidated accounts ("the Seventh Directive") (O.J. L193 of 18.7.1983, page 1).

Regulation 3(1) of, and Schedule 1 to, the Regulations specify the form and content of the individual accounts of a company which is subject to the small companies regime and which is preparing Companies Act individual accounts. Schedule 1 re-enacts Schedule 8 to the 1985 Act and Schedule 8 to the 1986 Order, with one substantive modification.

Paragraph 36(4) of Schedule 1 implements article 1.5 of Directive 2006/46 of the European Parliament and the Council of 14th June 2006 amending the Fourth and Seventh Directives and Council Directives 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings (O.J. L224 of 16th August 2006, pages 1 to 7). The Directive is also to be implemented by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008, and by the Financial Services Authority using powers under the Financial Services and Markets Act 2000 (c.8).

Paragraph 36(4) of Schedule 1 gives companies the option of including financial instruments in the accounts at a fair value provided that they may be so included under international accounting standards adopted under the IAS Regulation (as defined in section 474(1) of the 2006 Act) on or before 5th September 2006, and provided that the disclosures required by such standards are made.

Regulation 4 of, and Schedule 2 to, the Regulations re-enact the requirements of Part 1 of Schedule 5 to the 1985 Act and Part 1 of Schedule 5 to the 1986 Order for small companies. They concern information about related undertakings which must be provided in the notes to a company's individual accounts, whether they are Companies Act accounts or IAS accounts.

Regulation 5 of, and Schedule 3 to, the Regulations re-enact the requirements of Part 1 of Schedule 6 to the 1985 Act and Part 1 of Schedule 6 to the 1986 Order as they apply to small companies. They concern information about directors' remuneration which must be provided in the notes to a company's individual accounts, whether they are Companies Act accounts or IAS accounts.

Regulation 6 of, and Schedule 4 to, the Regulations make provision about Companies Act individual accounts which may be delivered to the registrar of companies for a small company under section 444 of the 2006 Act. Schedule 4 re-enacts Schedule 8A to the 1985 Act and Schedule 8A to the 1986 Order.

Regulation 7 of, and Schedule 5 to, the Regulations specify information to be included in the directors' report which a company's directors are required to prepare under section 415 of the 2006 Act. Schedule 5 re-enacts the provisions in Schedule 7 to the 1985 Act and Schedule 7 to the 1986 Order as they apply to small companies, with two modifications – the thresholds for disclosure of political donations and expenditure and charitable donations have been raised from £200 to £2000 (paragraphs 2 and 4), and provision is now made for disclosure of donations to independent election candidates (paragraph 2).

Regulation 8 of, and Part 1 of Schedule 6 to, the Regulations specify the form and content of Companies Act group accounts which a parent company subject to the small companies regime may choose to prepare, although not required to do so (see section 398 of the 2006 Act). The Schedule re-enacts Schedule 4A to the 1985 Act and Schedule 4A to the 1986 Order as they apply to small companies, save that paragraphs 9, 13 and 17 have been simplified to facilitate convergence with international accounting standards.

Regulations 9 and 10 apply the provisions of Schedule 3 (information in notes to accounts about directors' benefits) and Part 2 of Schedule 6 (information in notes about related undertakings) to Companies Act or IAS group accounts which the directors of a small parent company choose to prepare. Part 2 of Schedule 6 re-enacts Part 2 of Schedule 5 to the 1985 Act and Part 2 of Schedule 5 to the 1986 Order.

Regulation 11 makes provision for exemptions from Companies Act group accounts which may be delivered to the registrar of companies for a small parent company under section 444 of the 2006 Act.

Regulation 12 of, and Schedule 7 to, the Regulations define the term "provisions" for the purposes of the Regulations and for the purposes of sections 677(3)(a) (Companies Act accounts: relevant provisions for purposes of financial assistance), 712(2)(b)(i) (Companies Act accounts: relevant provisions to determine available profits for redemption or purchase out of capital) and 836(1)(b)(i) (Companies Act accounts: relevant provisions for distribution purposes) of the 2006 Act.

Regulation 13 of, and Schedule 8 to, the Regulations contain general interpretation provisions.

A transposition note has been prepared which sets out how Directive 2006/46 is to be transposed into UK law. An Impact Assessment of the effect that the implementation of Directive 2006/46 will have on the costs of business, charities or voluntary bodies has also been prepared. Both are available from the Department for Business, Enterprise and Regulatory Reform, Corporate Law and Governance Directorate, 1 Victoria Street, London SW1. They are also available electronically at [www.berr.gov.uk](http://www.berr.gov.uk). Copies have also been placed in the libraries of both Houses of Parliament. Otherwise, an Impact Assessment has not been produced for these Regulations as they have only a negligible impact on the costs of business, charities or voluntary bodies.



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