
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations introduce an exemption from certain financial reporting requirements (“the Micros-Exemption”) for very small companies (“Micro-Entities”) preparing Companies Act individual accounts. The Micros-Exemption forms part of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive [2006/43/EC](#) of the European Parliament and of the Council and repealing Council Directives [78/660/EEC](#) and [83/349/EEC](#) (OJ No L 182, 29.6.13, p 19) (“the New Accounting Directive”) and these Regulations implement that part of the New Accounting Directive.

Regulation 3 limits the application of these Regulations to companies formed and registered (or treated as formed and registered) under the 2006 Act.

Regulation 4 inserts new sections 384A and 384B into the 2006 Act. Section 384A prescribes the thresholds, based on turnover, balance sheet total and employee numbers, relevant to qualification as a Micro-Entity. Section 384B identifies those categories of company (including charities, those companies already excluded from the small companies' regime under Part 15 of the 2006 Act and those companies voluntarily preparing group accounts (or whose accounts are included in consolidated group accounts prepared by another company)) which are excluded from being treated as Micro-Entities.

Regulation 5 amends section 393 of the 2006 Act to identify, in the case of Micro-Entities, relevant considerations for company directors, when deciding whether to approve accounts on the basis that they give a true and fair view of the financial position of the company. It amends section 396 of the 2006 Act to introduce a presumption that Micro-Entities' accounts which comply with certain minimum requirements give a true and fair view. It also prescribes the statement to appear above the signature in the balance sheet, in circumstances where accounts are prepared in accordance with provisions applicable to companies which qualify as Micro-Entities.

Regulation 6 amends section 444 of the 2006 Act to provide that companies preparing abridged accounts in accordance with the exemption for Micro-Entities must file a copy of those accounts at Companies House and removes the option to file abbreviated accounts under that section.

Regulation 7 amends section 469 of the 2006 Act to exempt Micro-Entities from the requirement to draw up a note relating to the exchange rate applied, when translating amounts set out in the accounts into euros. It amends section 472 of the 2006 Act to provide that minimum prescribed notes to the accounts for Micro-Entities must appear in the balance sheet and not in a separate document. It amends section 474 of the 2006 Act to insert definitions relating, first, to minimum financial reporting requirements for Micro-Entities and, second, to those provisions of Parts 15 and 16 of the 2006 Act (and of regulations under Part 15) which relate specifically to the individual accounts of Micro-Entities. The amendment made by regulation 7 to section 471 of the 2006 Act does not implement an EU obligation but is made more accurately to describe the subject matter of section 408, to which section 471 cross-refers.

Regulation 8 amends section 495 of the 2006 Act to identify, in the case of Micro-Entities, relevant considerations for auditors, when deciding for the purposes of the auditor's report whether the accounts give a true and fair view of the financial position of the company.

Regulation 9 amends Part 2 of the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (“the 2008 Regulations”). It exempts Micro-Entities from the obligation to draw up notes to the accounts other than the prescribed minimum notes. It disapplies, in the case of Micro-Entities, provision for fair value accounting and provision for the filing of abbreviated accounts.

Changes to legislation: *There are currently no known outstanding effects for the The Small Companies (Micro-Entities' Accounts) Regulations 2013. (See end of Document for details)*

Regulation 10 amends Part 1 of Schedule 1 to the 2008 Regulations to provide, in new Section C, for two abridged balance sheet formats and one abridged profit and loss account format for Micro-Entities.

Regulation 11 makes a number of amendments to Part 2 of Schedule 1 to the 2008 Regulations in consequence of the addition to Part 1 of that Schedule of new Section C. Regulation 11(2)(b) and (c) does not implement an EU obligation but corrects erroneous descriptions of prescribed line items in the 2008 Regulations.

Regulations 12 and 13 make a number of amendments to Schedules 6 and 8 to the 2008 Regulations in consequence of the addition to Part 1 of Schedule 1 of new Section C.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Business Environment Directorate, Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET or from www.gov.uk/bis and is annexed to the Explanatory Memorandum which is available alongside the instrument at www.legislation.gov.uk.

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