
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (S.I. 2008/1911), the Small Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1912), the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (S.I. 2008/1913), the Small Companies (Micro-Entities' Accounts) Regulations 2013 (S.I. 2013/3008) (“the 2013 Regulations”), the Partnerships (Accounts) Regulations 2008 (S.I. 2008/569) and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410).

These Regulations amend the law relating to the preparation of the annual accounts of limited liability partnerships (“LLPs”) and to related matters such as the filing of their accounts. This includes the introduction of an exemption from certain financial reporting requirements for very small LLPs (“micro-entities”). The Regulations also introduce such an exemption for very small partnerships (including limited partnerships) which are “qualifying partnerships” under the Partnerships (Accounts) Regulations 2008. As regards qualifying partnerships (but not LLPs), these Regulations (Part 5) implement aspects 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, 29.6.2013, p.19). Those aspects of the Directive have already been implemented for companies by the 2013 Regulations.

These Regulations extend to the whole of the United Kingdom.

Part 1 of the Regulations deals with introductory matters. Regulation 1 provides that the amended law applies in respect of financial years commencing on or after 1st January 2016, but an LLP or qualifying partnership may also choose to apply the amended law (except in one respect) to its financial year beginning on or after 1st January 2015 (but before 1st January 2016) if a copy of its accounts for that financial year has not already been delivered to the registrar of companies before the Regulations come into force.

Part 2 of the Regulations amends the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Those Regulations apply to LLPs, with modifications, provisions on the accounts and audit of companies contained in the Companies Act 2006 (c.46) (“the 2006 Act”).

Regulation 5(2)(c) and (3)(c) raises the thresholds which determine when an LLP or group qualifies as “small” for the purposes of certain accounting and reporting exemptions, and for exemption from audit. Regulation 5(4)(b) applies to LLPs a new modified section 384(2)(a) of the 2006 Act, with the effect that an LLP that is a member of a group one or more of whose members is a company admitted to trading on an EEA regulated market (such as the London Stock Exchange) does not qualify as “small”. Section 384(2)(a), as previously applied to LLPs, had the effect that an LLP that was a member of a group one or more of whose members was a public company did not qualify as “small”.

Regulation 6 applies to LLPs new modified sections 384A and 284B of the 2006 Act. The modified 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 LLP (including those LLPs already excluded from the small LLPs regime under Part 15 of the 2006 Act as applied to LLPs, those LLPs voluntarily preparing group accounts, and those LLPs whose

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accounts are included in consolidated group accounts) which are excluded from being treated as micro-entities.

Regulation 7 amends the modified section 393 of the 2006 Act that applies to LLPs, to identify, in the case of micro-entities, relevant considerations for the members of an LLP, when deciding whether to approve accounts on the basis that they give a true and fair value of the financial position of the LLP.

Regulation 8(3) amends the modified section 394B of the 2006 Act that applies to LLPs, to exclude from the dormant subsidiaries exemption LLPs whose transferable securities are admitted to trading on a regulated market. Regulation 8(4) amends the modified section 396 of the 2006 Act that applies to LLPs, to introduce a presumption that micro-entities' accounts that comply with certain minimum requirements give a true and fair view.

Regulation 9(2) and (3) amends the law regarding the exemptions from a parent LLP's obligation to prepare group accounts where that parent is itself included in the group accounts of a larger group.

Regulation 10(2) and (3) terminates the application to LLPs of the modified section 410 of the 2006 Act, with the effect that it will no longer be possible for an LLP to disclose relevant information about related undertakings (for instance, its subsidiaries) in its annual return – such information (where required) will have to be disclosed in the annual accounts.

Regulation 10(4) and (5) amends the modified sections 410A and 411 of the 2006 Act that apply to LLPs as regards the information which, generally speaking, LLPs must provide in their annual accounts concerning “off-balance sheet arrangements” and employee numbers and costs.

Regulation 11 amends the modified section 414 of the 2006 Act that applies to LLPs: it requires accounts prepared in accordance with the provisions applicable to LLPs that qualify as micro-entities to include a statement to that effect above the signature on the LLP's balance sheet.

Regulation 12(3) amends the modified section 444 of the 2006 Act that applies to LLPs – the modified section concerns the filing obligations of small LLPs. Key changes here reflect the fact that a small LLP will no longer be able to file (at Companies House) annual accounts which are an abbreviated version of the accounts which it prepares and sends to its members – instead a small LLP must file the versions of the balance sheet and profit and loss account (where the profit and loss account is filed) which are prepared and sent to the members.

Regulation 15(3) amends the modified section 448B of the 2006 Act that applies to LLPs, to exclude from the dormant subsidiaries exemption LLPs whose transferable securities are admitted to trading on a regulated market.

Regulation 17(2) and (3) raises the thresholds which determine when an LLP or group qualifies as “medium-sized” for the purposes of certain accounting and reporting exemptions.

Regulation 18 amends the modified section 469 of the 2006 Act that applies to LLPs, 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.

Regulation 20 amends the modified section 472 of the 2006 Act that applies to LLPs, to provide that minimum prescribed notes to the accounts for micro-entities must appear at the foot of the balance sheet and not in a separate document.

Regulation 21 amends the modified section 474(1) of the 2006 Act that applies to LLPs, to insert several new definitions, including definitions relating to micro-entities.

Regulation 22(3) amends the modified section 479B of the 2006 Act that applies to LLPs, to exclude from the subsidiary LLPs audit exemption LLPs whose transferable securities are admitted to trading on a regulated market.

Regulation 24 amends the modified section 495 of the 2006 Act that applies to LLPs, 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 LLP.

Part 3 of the Regulations amends the Small Limited Liability Partnerships (Accounts) Regulations 2008. Those Regulations apply to LLPs, with modifications, provisions of the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 ([S.I. 2008/409](#)).

Regulations 29 to 36 amend Part 2 of [S.I. 2008/1912](#) which concerns the form and content of individual accounts. Regulation 29 disapplies, in the case of LLPs which are micro-entities, provision for fair value accounting and provision for the filing of micro-entity accounts. Regulation 32 applies regulation 5A of [S.I. 2008/409](#), with modifications, to LLPs, which exempts micro-entities from the obligation to draw up notes to the accounts other than the prescribed minimum notes.

Regulations 34 to 36 make amendments to Part 1 of Schedule 1 to [S.I. 2008/1912](#) (which concerns the general rules and formats for a small LLP's non-IAS individual accounts). Regulations 34 and 35 make changes to the prescribed formats, which include allowing LLPs which qualify as small to prepare abridged versions of the prescribed balance sheet and profit and loss account formats set out in Schedule 1, and allowing small LLPs to adapt the prescribed formats if conditions are satisfied. Regulation 36 amends Part 1 of Schedule 1 to [S.I. 2008/1912](#) to provide, in new Section C, for two balance sheet formats and one profit and loss account format suitable for use by micro-entities.

Regulations 37 to 40 amend Part 2 of Schedule 1 to [S.I. 2008/1912](#) (which concerns accounting principles and rules applicable to the annual accounts of small LLPs). Regulation 41 amends Part 3 of Schedule 1 to [S.I. 2008/1912](#) so as to reduce greatly the number of notes to the annual accounts of small LLPs. Regulation 42 omits Schedule 2 to [S.I. 2008/1912](#), reducing the information that small LLPs have to provide in their accounts if they are not preparing group accounts. Regulation 42 also omits Schedule 3 to [S.I. 2008/1912](#), to reflect the fact that small LLPs are no longer permitted to file accounts which are different to those which they prepare and send to their members. Regulations 43 and 44 amend Schedule 4 to [S.I. 2008/1912](#) concerning the accounts of a small group.

Part 4 of the Regulations amends the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008. Those Regulations apply to LLPs, with modifications, provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ([S.I. 2008/410](#)).

Regulations 50 and 51 make various changes to Part 1 of Schedule 1 to [S.I. 2008/1913](#) (which concerns the general rules and formats for a large or medium-sized LLP's non-IAS individual accounts), including allowing a large or medium-sized LLP to adapt the prescribed balance sheet and profit and loss account formats set out in Schedule 1, and introducing changes to the prescribed formats. Regulations 52 to 55 amend Part 2 of Schedule 1 to [S.I. 2008/1913](#) concerning accounting principles and rules applicable to medium-sized and large LLPs, and mirror the changes being made to Part 2 of Schedule 1 to [S.I. 2008/1912](#).

Regulation 56 amends Part 3 of Schedule 1 to [S.I. 2008/1913](#) as regards the notes to the annual accounts of these LLPs. Regulations 58 and 59 amend Schedule 2 to [S.I. 2008/1913](#) which concerns the information which all LLPs to which [S.I. 2008/1913](#) applies must provide in their annual accounts as regards "related undertakings" (including subsidiaries). Regulation 60 amends Schedule 3 to [S.I. 2008/1913](#) as regards the accounts of medium-sized and large groups.

Part 5 of the Regulations (regulation 63) amends the 2013 Regulations: regulation 3(1)(a) of the 2013 Regulations is revoked. As regulations 4(1) and 9(1) of, and Part 1 of the Schedule to, the Partnerships (Accounts) Regulations 2008 apply to qualifying partnerships, with modifications and adaptations, provisions of the 2006 Act and associated regulations relating to accounts and audit for companies, the effect of regulation 63 is to introduce for very small qualifying partnerships the exemption from certain financial reporting requirements that was introduced by the 2013 Regulations for very small companies.

Part 6 of the Regulations (regulation 66) makes a minor correction to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Regulations 26, 46, 62, 64 and 67 require the Secretary of State to review the provisions amended or affected by these Regulations, and to publish a report within five years after these Regulations come

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into force and within every five years after that. Following a review it will fall to the Secretary of State to consider whether the provisions should remain as they are, or be revoked or be amended. A further instrument would be needed to revoke or amend the provisions.

A transposition note for the 2013 Regulations, as amended by this instrument, is available alongside the 2013 Regulations at www.legislation.gov.uk.

A full regulatory 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 also available alongside this instrument at www.legislation.gov.uk.