

BERR

Department for Business
Enterprise & Regulatory Reform

**GUIDANCE FOR UK COMPANIES
ON ACCOUNTING AND
REPORTING**

Requirements under the
Companies Act 2006 and
the application of the IAS
regulation

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1. Summary of Changes

1.1 The Companies Act 1985 (the 1985 Act) and the regulations made under it are in the process of being replaced by the Companies Act 2006 (the 2006 Act). Unlike the 1985 Act, the 2006 Act applies to Northern Ireland.

1.2 The detailed requirements on the format and content of accounts in the accounting Schedules to the 1985 Act and the Companies (Northern Ireland) Order 1986 (the 1986 Order) have been restated in 2 sets of regulations under the 2006 Act.

1.3 Accounting regulations on summary financial statements and defective accounts and reports made under the 1985 Act and 1986 Order have been restated as regulations under the 2006 Act. Other regulations on the accounts and audit of miscellaneous insurance undertakings, banks and certain partnerships have also been revised and re-stated.

1.4 In addition, the regulations also make a number of substantive changes to the accounting requirements:

- A number of technical amendments have been made to the provisions on consolidated accounts (paragraph 5.2).
- The threshold for disclosure in the directors' report of political donations and expenditure and charitable donations has been raised from £200 to £2000. A new disclosure requirement for donations to independent election candidates has been introduced (paragraph 5.3).
- The option to include financial instruments in the accounts at fair value has been extended (paragraphs 5.4 to 5.6).
- The circumstances in which a company that has chosen to prepare its individual accounts using IAS rather than UK GAAP can switch back to UK GAAP have been extended (paragraph 5.7).
- The financial thresholds under which companies can qualify as small or medium-sized and under which small companies can qualify for exemption from audit have been increased (section 6).
- The exemption for medium-sized companies from disclosing turnover in abbreviated profit and loss accounts delivered to the registrar of companies has been removed (paragraph 5.8).
- There is a new requirement for large and medium-sized companies to disclose in the notes to the accounts the nature and business purpose of any off-balance sheet arrangements, and for large companies to disclose the financial impact of these on the company (paragraphs 5.9 to 5.10).

- There is a new requirement for large companies to make certain disclosures in the notes to the accounts about transactions with related parties where these are material and have not been concluded under normal market conditions (paragraphs 5.11 to 5.13).
- There is a new requirement for quoted companies to report in their directors' remuneration report on how they have taken pay and employment conditions elsewhere in the company or group into account when setting directors' pay (paragraph 5.14).
- The regulations on miscellaneous insurance undertakings, banks and certain partnerships make certain changes to audit requirements for these entities, in line with changes for companies (paragraphs 8.5 and 8.6).
- The regulations on miscellaneous insurance undertakings, banks and certain partnerships reduce the period for filing accounts and reports for these entities in line with changes for companies (paragraph 8.7).
- The regulations on SFS make specific provision for small companies that may wish to prepare SFS (paragraph 7.3).
- The regulations on SFS and defective accounts reflect the new provisions in section 146 of the 2006 Act on nomination of persons to enjoy information rights (paragraphs 7.3 and 7.5).

2. Abbreviations and Definitions

Companies Act accounts	Accounts prepared in accordance with section 396 or 404 of the Companies Act 2006.
Companies Act Amendment Regulations	The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (SI 2008/393)
Directive 2006/46	Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 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. OJ L224, page 7, 16 August 2006.
EC	European Commission
EEA	European Economic Area (EU members plus Norway, Iceland and Liechtenstein)
EU	European Union
IAS	International Accounting Standards. Standards adopted by the IASB from its predecessor body, including those subsequently modified by the IASB. Often used interchangeably with IFRS. For the purposes of these Guidance Notes, "IAS" means IAS as adopted by the EU (see paragraphs 9.1 and 9.2). These Guidance Notes generally use IAS rather than IFRS as that is the term used in the IAS Regulation and the Companies Acts.
IAS accounts	Accounts prepared in accordance with section 397 or 406 of the Companies Act 2006.
IAS Regulation	Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards, OJ L243, page 1, 11 September 2002.
IASB	International Accounting Standards Board

IFRS	International Financial Reporting Standard(s) Standards issued by the IASB. Often used interchangeably with IAS.
Large and Medium-sized Companies Regulations	The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)
Non-publicly traded companies	Companies that do not have any securities that are admitted to trading on a regulated market in any Member State in the European Union.
OJ	Official Journal (official publication of the European Union)
Publicly traded companies	Companies whose securities are admitted to trading on a regulated market in any Member State in the European Union.
Quoted company	As defined in section 385 of the Companies Act 2006, a company whose equity share capital – (a) has been included in the official list (as defined in section 103(1) of the Financial Services and Markets Act 2000) in accordance with the provision of Part 6 of the Financial Services and Markets Act 2000 (c. 8), or (b) is officially listed in an EEA State, or (c) is admitted to dealing on either the New York Stock Exchange or the exchange known as Nasdaq.
Regulated market	A market included on the list which can be obtained at: http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm .
Small Companies Regulations	The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409)
SFS	Summary Financial Statement
UK GAAP	UK Generally Accepted Accounting Practice
1985 Act	Companies Act 1985
1986 Order	Companies (Northern Ireland) Order 1986
2006 Act	Companies Act 2006

3. Introduction

3.1 The 1985 Act and the regulations made under it are in the process of being replaced by the 2006 Act. Unlike the 1985 Act, the 2006 Act applies to Northern Ireland. The provisions in Part 15 of the 2006 Act on accounts and reports have replaced Part 7 of the 1985 Act and Part 8 of the 1986 Order.

3.2 Most of the accounting and reporting provisions of the 2006 Act came into effect for financial years beginning on or after 6 April 2008. The 1985 Act and the 1986 Order will continue to apply to financial years beginning before then. The exceptions are-

- section 463 of the 2006 Act on liability for false or misleading statements in narrative reports (which came into force on 20 January 2007);
- the new business review requirements in section 417 of the 2006 Act (which apply to financial years beginning on or after 1 October 2007); and
- the new disclosure on directors' pay outlined in paragraph 5.14 (which will have to be included in quoted companies' directors' remuneration reports for financial years beginning on or after 6th April 2009).

3.3 The detailed requirements on the form and content of accounts and reports that were in the accounting schedules to the 1985 Act and the 1986 Order are now set out in 2 sets of regulations under the 2006 Act. Section 4 outlines the approach taken to restating the requirements in the schedules.

3.4 In addition to the restatement exercise, a small number of substantive changes to the accounting requirements have been made. In some cases, these are purely UK changes, and in other cases they have been made to implement Directive 2006/46. These are explained in Sections 5 and 6.

3.5 Other regulations on SFS, defective accounts and on the accounts of miscellaneous insurance undertakings, banks and certain partnerships have been re-stated. Sections 7 and 8 give details of these regulations.

3.6 This guidance aims to help users to find their way around the new accounting regulations under the 2006 Act, and to flag up where there have been substantive changes and what the impact of these will be.

3.7 It also includes a section on the IAS Regulation which requires publicly traded companies to prepare their consolidated accounts using IAS as adopted by the EU. In the UK, publicly traded companies also have the option to use IAS for their individual accounts and all other companies (other than charities) have the option to use IAS for their individual and consolidated accounts.

3.8 Section 9 explains how the IAS Regulation and the option to choose IAS work. It also indicates those parts of the 2006 Act that still apply to companies

using IAS. This is largely an updated version of the guidance originally issued in October 2004.

3.9 This guidance is not intended to be a comprehensive statement of the law or the recent changes. For example, the regulations discussed in this guidance contain detailed requirements on the format and content of accounts. However, the 2006 Act itself contains other accounting and related requirements (see for example section 411 on information about employee numbers and costs, and section 413 on information about directors' benefits: advances, credit and guarantees). The table at Annex A gives pointers to these requirements. However, companies should not consider this guidance a substitute for familiarising themselves with the 2006 Act and the legislation made under it. In particular, any organisation that wishes to clarify its own position under the law should take its own legal advice.

4. Regulations Under 2006 Act on Detailed Format and Content of Accounts and Reports

4.1 The regulations made under the 2006 Act to replace the accounting schedules to the 1985 Act and the 1986 Order group all the detailed requirements for small companies in one set of regulations and all the requirements for other companies in another set of regulations.

4.2 The schedules to each set of regulations group together all the individual requirements in much the same way as the accounting schedules to the 1985 Act and the 1986 Order. In most cases, the individual schedules to the regulations are set out in a similar way to the accounting schedules to the 1985 Act and 1986 Order so they will look familiar to users.

4.3 The detailed requirements on the format and content of accounts for **small companies** are now in the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409). The main body of these regulations outlines the basic accounting requirements that apply to small companies and indicates certain circumstances in which small companies can depart from these. Although groups qualifying as small do not have to prepare group accounts, the regulations specify the content of group accounts where they do so. The schedules to the regulations set out the detailed requirements and are arranged as follows:

Schedule 1 – Companies Act individual accounts

Schedule 2 – Information about related undertakings where company not preparing group accounts (Companies Act or IAS individual accounts)

Schedule 3 – Information about directors' benefits: remuneration (Companies Act or IAS accounts)

Schedule 4 – Companies Act abbreviated accounts for delivery to the registrar of companies

Schedule 5 – Matters to be dealt with in the directors' report

Schedule 6 – Group accounts

Schedule 7 – Interpretation of term "provisions"

Schedule 8 – General interpretation

4.4 The same approach has been taken for **all other companies**. A single set of regulations – the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) – has been made for them. The main body of these regulations outlines the basic accounting requirements that apply to companies other than small and indicates certain circumstances in which companies can depart from them. The schedules to the regulations set out the detailed requirements, grouped together by subject matter or type of company. They are arranged as follows:

- Schedule 1 – Companies Act individual accounts: Companies that are not banking or insurance companies
- Schedule 2 – Banking companies: Companies Act individual accounts
- Schedule 3 – Insurance companies: Companies Act individual accounts
- Schedule 4 – Information on related undertakings (Companies Act or IAS accounts)
- Schedule 5 – Information about benefits of directors (Companies Act or IAS accounts)
- Schedule 6 – Companies Act group accounts
- Schedule 7 – Matters to be dealt with in the directors' report
- Schedule 8 – Quoted companies: directors' remuneration report
- Schedule 9 – Interpretation of term "provisions"
- Schedule 10 – General interpretation

4.5 The table at Annex B gives an indication of where the corresponding provisions appear in the 1985 Act and 1986 Order and in these 2 sets of regulations.

5. Changes to Requirements on Detailed Format and Content of Accounts and Reports

5.1 The Small Companies Regulations and the Large and Medium-sized Companies Regulations largely restate existing requirements without changing the substance of those requirements. However, a small number of changes to the accounting and reporting requirements have been made by those regulations and by the Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (SI 2008/393) which made some amendments to Part 15 of the 2006 Act. These are outlined below.

Changes for all companies

Group accounts

5.2 A number of technical amendments have been made to the provisions on Companies Act group accounts:

- The definitions of “identifiable assets”, “acquisition costs” and “adjusted capital and reserves” for the purposes of acquisition accounting have not been restated.
- The requirement to explain any significant adjustments in assets or liabilities (and any resulting adjustment to the consolidated reserves) when using the merger method of accounting has not been restated.
- The requirements on how minority interests are reflected in the balance sheet and profit and loss account formats have been simplified to allow greater flexibility in their presentation. These are in paragraph 17 of Schedule 6 to the Small Companies Regulations (for those small companies that choose to prepare group accounts) and in paragraphs 17, 25 and 36 of Schedule 6 to the Large and Medium-sized Companies Regulations.

Political and charitable donations

5.3 The threshold for disclosure in directors’ reports of political donations and expenditure and charitable donations has been raised from £200 to £2000. A new disclosure requirement for donations to independent election candidates has been introduced, consequential on new provisions in Part 14 of the 2006 Act. These are in paragraphs 2 to 4 of Schedule 5 to the Small Companies Regulations and paragraphs 3 to 5 of Schedule 7 to the Large and Medium-sized Companies Regulations.

Fair value

5.4 The option to include financial instruments in the accounts at fair value has been extended. Companies can include any financial instruments in the accounts at fair value provided that the instrument could be included under IAS adopted by the EU on or before 5 September 2006, and provided that the disclosures required by such accounting standards are made. The relevant standard, IAS 39, allows financial instruments to be valued at fair value where the information provided will be more relevant because fair valuation will reduce recognition or measurement inconsistencies, or because the relevant financial assets or liabilities are managed or evaluated on a fair value basis. The new provision is in paragraph 36(4) of Schedule 1 to the Small Companies Regulations and in paragraph 36(4) of Schedule 1, paragraph 44(4) of Schedule 2 and paragraph 30(4) of Schedule 3 to the Large and Medium-sized Companies Regulations.

5.5 “Financial instrument” includes cash, loans and receivables, equity instruments and debt securities as well as financial derivatives such as futures, options and swaps.

5.6 “Fair value” can be described as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. How the fair value of a financial instrument should be determined is set out in paragraph 37 of Schedule 1 to the Small Companies Regulations and in paragraph 37 of Schedule 1, paragraph 45 of Schedule 2 and paragraph 31 of Schedule 3 to the Large and Medium-sized Companies Regulations.

IAS accounts

5.7 The circumstances in which a company that has chosen to prepare its individual accounts using IAS rather than UK GAAP can switch back to UK GAAP have been extended to allow a company to switch back if it ceases to be a subsidiary undertaking. This is intended to deal with situations where a parent company has switched its subsidiaries to IAS to achieve a consistent accounting framework within the group, and subsequently sells a subsidiary into individual ownership. Regulation 9 of the Companies Act (Amendment) Regulations inserts a new subparagraph into section 395(4) of the 2006 Act.

Changes for medium-sized companies only

Disclosure of turnover in abbreviated accounts

5.8 The exemption for medium-sized companies in the 1985 Act from disclosing turnover in abbreviated profit and loss accounts delivered to the registrar of companies has been removed (regulation 4(3)(a) of the Large and Medium-sized Companies Regulations), although there is still exemption from

disclosing detailed particulars of turnover in the notes to such accounts (regulation 4(3)(b)).

Changes for large and medium-sized companies

Off-balance sheet arrangements

5.9 There is a new requirement for large and medium-sized companies to disclose in the notes to the accounts the nature and business purpose of any off-balance sheet arrangements, where the risks or benefits arising from those arrangements are material, to the extent necessary for an assessment of a company's financial position. Large companies must also disclose the financial impact of these arrangements on the company, again to the extent necessary for an assessment of a company's financial position. The new requirement has been inserted as section 410A in the 2006 Act by regulation 8 of the Companies Act (Amendment) Regulations in implementation of Directive 2006/46.

5.10 The aim of Directive 2006/46 is, amongst other things, to increase transparency in off-balance sheet arrangements. Recital 9 gives some examples of the types of transaction that may be covered by this disclosure requirement:

“(9) Such off-balance-sheet arrangements could be any transactions or agreements which companies may have with entities, even unincorporated ones, that are not included in the balance sheet. Such off-balance-sheet arrangements may be associated with the creation or use of one or more Special Purpose Entities (SPEs) and offshore activities designed to address, inter alia, economic, legal, tax or accounting objectives. Examples of such off-balance-sheet arrangements include risk and benefit-sharing arrangements or obligations arising from a contract such as debt factoring, combined sale and repurchase agreements, consignment stock arrangements, take or pay arrangements, securitisation arranged through separate companies and unincorporated entities, pledged assets, operating leasing arrangements, outsourcing and the like. Appropriate disclosure of the material risks and benefits of such arrangements that are not included in the balance sheet should be set out in the notes to the accounts or the consolidated accounts.”

Changes for large companies only

Disclosure of transactions with related parties

5.11 There is a new requirement to make certain disclosures in the notes to the accounts about transactions with related parties as defined in IAS 24 (for example directors or their families) where these are material and have not

been concluded under normal market conditions. This new requirement is in paragraph 72 of Schedule 1, paragraph 92 of Schedule 2, and paragraph 90 of Schedule 3 to the Large and Medium-sized Companies Regulations.

5.12 This is a minimum requirement, and companies are free to make further disclosures in line with international accounting standards should they so wish.

5.13 The EC has stated (in the minutes of the 20 November 2007 meeting of the Accounting Regulatory Committee) that “The Commission view is that the use of IAS 24 on a national level for companies not within the scope of the IAS Regulation would still be compliant with the requirements of the 4th Directive.”

Changes for quoted companies only

Directors’ remuneration

5.14 There is a new requirement for quoted companies to state in their directors’ remuneration report how they have taken pay and employment conditions of employees of the company and of other undertakings within the same group as the company into account when setting directors’ pay. This is in paragraph 4 of Schedule 8 to the Large and Medium-sized Companies Regulations. The application of this new requirement is delayed, so that it will only have to be included in reports for financial years beginning on or after 6th April 2009 (see regulation 2(3) of the Large and Medium-sized Companies Regulations). The new requirement is not prescriptive about what information and how much information companies must include. This will be for directors to consider in light of what is relevant and proportionate for their particular business.

6. Changes to Thresholds for SMEs

6.1 The financial thresholds under which companies can qualify as small or medium-sized and under which small companies can qualify for exemption from audit have been increased. The new thresholds are set out in regulations 3 – 5 of the Companies Act (Amendment) Regulations which amend the relevant sections of the 2006 Act. The new thresholds came into effect for financial years beginning on or after 6 April 2008, with a transitional provision in regulation 2(3) to enable companies to take early advantage of the new thresholds by applying them to relevant earlier years. The old thresholds and the new thresholds are set out in the table below.

	THRESHOLDS FOR FINANCIAL YEARS BEGINNING BEFORE 6 APRIL 2008		NO CHANGE IN THRESHOLD	THRESHOLDS FOR FINANCIAL YEARS BEGINNING ON OR AFTER 6 APRIL 2008	
	Turnover (not more than)	Balance sheet total (not more than)		Turnover (not more than)	Balance sheet total (not more than)
Small company	£5.6 million	£2.8 million	50	£6.5 million	£3.26 million
Small Group	£5.6 million net (or £6.72 million gross)	£2.8 million net (or £3.36 million gross)	50	£6.5 million net (or £7.8 million gross)	£3.26 million net (or £3.9 million gross)
Medium-sized company	£22.8 million	£11.4 million	250	£25.9 million	£12.9 million
Medium-sized Group	£22.8 million net (or £27.36 million gross)	£11.4 million net (or £13.68 million gross)	250	£25.9 million net (or £31.1 million gross)	£ 12.9 million net (or £15.5 million gross)

6.2 To qualify as small or medium-sized, a company must meet two of the three criteria. To qualify for audit exemption, a company must first qualify as small and then meet the turnover and balance sheet criteria. The qualification conditions and circumstances in which a company cannot qualify are set out in sections 381 – 384 (small companies) and sections 465 – 467 (medium-sized companies) of the 2006 Act.

7. Restatement of Regulations on Summary Financial Statements and Defective Accounts

Summary Financial Statements

7.1 The Companies (Summary Financial Statement) Regulations 2008 (SI 2008/374) replace the Companies (Summary Financial Statement) Regulations 1995 (SI 1995/2092) and the Companies (Summary Financial Statement) Regulations (Northern Ireland) 1996 (SI 1996/179). The 2008 Regulations restate the previous regulations for financial years beginning on or after 6th April 2008.

7.2 The Regulations also restate the provision inserted into the 1985 Act by section 992(5) of the 2006 Act. This concerns explanatory material on matters such as the control and share structures of the company which certain publicly traded companies are required by the European Directive on Takeovers to include in their directors' report, which must either be included in the SFS or sent separately at the same time as the SFS.

7.3 There are 2 further changes to the substantive requirements on SFS. Firstly, the Regulations make specific provision for small companies, should any of them wish to prepare SFS, by cross-referring to the Small Companies Regulations. Secondly, the regulations reflect section 426 of the 2006 Act, which extends the categories of persons to whom SFS may be sent to include persons nominated to enjoy information rights under section 146 of the 2006 Act. Section 146 provides that a member of a publicly traded company who holds shares on behalf of another person may nominate that person to receive communications that the company sends to members generally.

Defective Accounts

7.4 The Companies (Revision of Defective Accounts and Reports) Regulations 2008 (SI 2008/373) replace the Companies (Revision of Defective Accounts and Report) Regulations 1990 (SI 1990/2570) and the Companies (Revision of Defective Accounts and Report) Regulations (Northern Ireland) 1991 (SR 1991/268).

7.5 The 2008 Regulations restate the previous regulations without changing the substantive requirements on defective accounts, with one exception. Directors must now bring any revision to the attention of persons nominated to enjoy information rights under section 146 of the 2006 Act.

8. Restatement of Accounting Requirements for Miscellaneous Insurance Undertakings, Banks and Certain Partnerships

8.1 The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (SI 2008/565) replace the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 (SI 2003/3245) and the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations (Northern Ireland) 1994 (SR 1994/429).

8.2 The Bank Accounts Directive (Miscellaneous Banks) Regulations 2008 (SI 2008/567) replace the Banks Accounts Directive (Miscellaneous Banks) Regulations 1991 (SI 1991/2704).

8.3 The Partnerships (Accounts) Regulations 2008 ((SI 2008/569) replace the Partnerships and Unlimited Companies (Accounts) Regulations 1993 (SI 1993/1820) and the Partnerships and Unlimited Companies (Accounts) Regulations (Northern Ireland) 1994 (SR 1994/133).

8.4 Largely, these 3 sets of Regulations restate the requirements in the earlier regulations.

8.5 All 3 sets of Regulations also implement Directive 2006/43/EC¹. They contain requirements relating to the appointment and dismissal of auditors, signature of auditors' reports and disclosure of auditors' remuneration equivalent to the requirements on companies in Part 16 of the 2006 Act and in the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (SI 2008/489).

8.6 The Partnership Regulations also apply the provisions of Part 42 of the 2006 Act on statutory auditors to partnerships subject to the Regulations (Part 42 is applied to the banking and insurance undertakings by section 1210 of the 2006 Act, as amended by the above Regulations).

8.7 The Regulations reduce from 7 to 6 months (in the case of banking and insurance undertakings) and from 10 to 9 months (in the case of partnerships) from the end of the financial year the period within which accounts must be prepared. This reflects the new time limits in section 442(2) of the 2006 Act.

¹ Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC. OJ L157, page 87, 9 June 2006.

9. International Accounting Standards

A Background

9.1 Under Article 4 of the IAS Regulation, publicly traded companies governed by the law of a Member State are required to prepare their consolidated accounts on the basis of accounting standards issued by the IASB that are adopted by the EU. This applies to financial years commencing on or after 1st January 2005.

9.2 For the current list of adopted standards, see the EC website (www.europa.eu.int/comm/internal_market/accounting/ias_en.htm#adopted-commission).

9.3 Under Article 5 of the IAS Regulation, Member States have the option to extend use of adopted IAS on a permissive or mandatory basis. In the UK, the application of the Regulation has been extended so that:

- publicly traded companies are permitted to use IAS in their individual accounts; and
- non-publicly traded companies are permitted to use IAS in both their individual and consolidated accounts.

9.4 In addition, the option to use IAS has been extended to building societies, limited liability partnerships, certain banking and insurance undertakings and certain partnerships to which Part 15 of the 2006 Act is specifically applied.

9.5 However, charities are not permitted to use IAS (nor would they fall within Article 4 of the IAS Regulation, as non-profit-making bodies are excluded – see paragraph 9.8(i)).

9.6 Auditors will need to describe the accounting framework that has been used to prepare their accounts within their audit reports. They will need to make clear that the accounts have been prepared in accordance with IAS as adopted by the EU.

B Companies obliged to use IAS

9.7 Publicly traded companies governed by the law of a Member State are required by the IAS Regulation to prepare their consolidated accounts using adopted IAS. Certain other companies may be required to prepare accounts using IAS for different reasons, for example by a regulator; this section does not cover such situations.

9.8 To work out whether a particular body comes within the requirement in the IAS Regulation, there are four points to consider.

(i) *Does the body come within the relevant definition of “company”?* For the purposes of Article 4 of the IAS Regulation, “company” has the same meaning as in Article 48 (old Article 58) of the Treaty of Rome:

“Companies or firms” means companies or firms constituted under civil or commercial law, including co-operative societies, and other legal persons governed by public or private law, save for those which are non-profit-making”.

If the answer is no, the body is not required to use IAS. If the answer is yes, move on to the next step.

(ii) *Is the company governed by the law of a Member State?* In other words, has the company been incorporated in a Member State? If the answer is no, the company is not required to use IAS. If the answer is yes, move on to the next step.

(iii) *Are any securities of the company admitted to trading on a regulated market?* “Securities” means debt securities as well as shares. If the answer is no, the company is not required to use IAS. If the answer is yes, move on to the next step. The current list of regulated markets can be obtained at: http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm.

(iv) *Does the company have to prepare consolidated accounts?* The requirement to prepare consolidated accounts is set out in the European 7th Directive² as implemented in section 399 of the 2006 Act. Certain exemptions from the requirement are also conferred, in particular by sections 400 to 402. If the company is not required by the 2006 Act to prepare consolidated accounts, it is not required to use IAS. If the company is required to prepare consolidated accounts by the 2006 Act, and does so in accordance with IAS, it will look to the requirements of IAS to determine its subsidiary undertakings to be included in the consolidation.

These four steps are represented in diagrammatic form at Annex C.

9.9 If a company is required to use IAS, it must state in the notes to its accounts that they have been prepared in accordance with IAS (section 397 for individual accounts and section 406 for consolidated accounts). The company should also ensure that it is clear with which parts of the 2006 Act it must still comply (see Section 4D, in particular paragraph 9.22).

² Seventh Council Directive of 13 June 1983 (83/349/EEC) based on Article 54(3)(g) of the Treaty on consolidated accounts. OJ L193, page 1, 18 July 1983.

C The option to use IAS

9.10 Sections 395(1) and 403(2) of the 2006 Act permit a company that is required by the 2006 Act to prepare accounts to choose whether to prepare its individual and/or consolidated accounts in accordance with IAS or in accordance with the accounting requirements of the 2006 Act. If a company elects to use IAS, it must state in the notes to its accounts that they have been prepared in accordance with IAS (section 397 for individual accounts and section 406 for consolidated accounts). The company should also ensure that it is clear with which parts of the 2006 Act it must still comply (see Section 4D, in particular paragraph 9.22).

Use of IAS in both individual and consolidated accounts

9.11 Where companies prepare both individual and consolidated accounts, the choice between IAS and the accounting requirements of the 2006 Act operates separately for each.

9.12 If a company comes within Article 4 of the IAS Regulation, it must use IAS for its consolidated accounts. However, it still has the choice of using IAS or UK GAAP for its individual accounts. If a company has chosen to use IAS for its individual accounts under section 395(1), it does not have to use IAS for its consolidated accounts. And if it has chosen to use IAS for its consolidated accounts under section 403(2), it does not have to use IAS for its individual accounts.

9.13 The 2006 Act requires that consolidated and individual accounts (where required) are published together (section 434(2)). This still applies where the consolidated and individual accounts are prepared using different frameworks. In such circumstances, the 2006 Act does not specify whether the accounts should be presented as separate sections of the report or combined into a single set of primary statements and notes. However, in practice it is expected that the statements will be clearer if the separate sections approach is taken.

Consistency within a group

9.14 A parent company must ensure that its individual accounts and the individual accounts of all its subsidiary undertakings are prepared using the same financial reporting framework, be it IAS or UK GAAP, except to the extent that in the directors' opinion there are good reasons for not doing so (section 407(1) of the 2006 Act). Therefore, if a parent company chooses to use IAS for its individual accounts, it must also ensure that the individual accounts of all its subsidiary undertakings are prepared using IAS (but see paragraphs 9.15 and 9.16 below for certain exceptions to this requirement).

9.15 There are three specific exceptions to this requirement in section 407(2)-(4). It does not apply:

- if the parent company does not prepare group accounts;
- to the accounts of subsidiary undertakings that are not required to be prepared under Part 15 of the 2006 Act (for example foreign subsidiaries);
- to any subsidiary undertakings that are charities (so charities and subsidiary undertakings that are not charities are not required to use the same accounting framework).

9.16 There is also one partial exception to this requirement in section 407(5). If the parent company prepares both consolidated and individual accounts under IAS, it is not required to ensure that all its subsidiary undertakings also use IAS. However, it must ensure that all its subsidiary undertakings use the same accounting framework, again unless there are good reasons for not doing so.

9.17 If the directors believe that there are good reasons for not preparing all individual accounts within a group using the same accounting framework, they are not required to do so. This provision is intended to provide a degree of flexibility where there are genuine (including cost/benefit) grounds for using different accounting frameworks within a group of companies. Examples of “good reasons” could include:

- A group using IAS acquired a subsidiary undertaking that had not been using IAS; in the first year of acquisition, it might not be practical for the newly acquired company to switch to IAS straight away.
- The group contains subsidiary undertakings that are themselves publicly traded, in which case market pressures or regulatory requirements to use IAS might come into play, without necessarily justifying a switch to IAS by the non-publicly traded subsidiaries.
- A subsidiary undertaking or the parent was planning to apply for a listing and so might wish to convert to IAS in advance, but the rest of group was not planning to apply for a listing.
- The group contains minor or dormant subsidiaries where the costs of switching accounting framework would outweigh the benefits.

The key point is that the directors of the parent company must be able to justify any inconsistency to shareholders, regulators or other interested parties.

One way choice?

9.18 If a company has prepared its accounts using IAS for a financial year, it cannot switch back to UK GAAP in subsequent financial years (section 395(3))

for individual accounts and 403(4) for consolidated accounts). However, sections 395(4) and 403(5) set out certain exceptions to this rule:

- The company becomes a subsidiary undertaking of an undertaking that does not prepare its accounts in accordance with adopted IAS. This is intended to deal with situations where a subsidiary undertaking is sold by a group generally using IAS, to another group or entity not generally using IAS. It is not intended that companies switch between accounting regimes on the basis of an internal group restructuring.
- The company ceases to be publicly traded (e.g. in a de-listing).
- Any parent undertaking of the company ceases to be publicly traded (e.g. in a de-listing).
- In the case of individual accounts, a company ceases to be a subsidiary undertaking (inserted in section 395(4) of the 2006 Act by regulation 9 of the Companies Act Amendment Regulations). This is intended to deal with situations where a parent company has switched its subsidiaries to IAS to achieve a consistent accounting framework within the group, and subsequently sells a subsidiary into individual ownership.

D Parts of the 2006 Act that apply to IAS accounts and parts that don't

General outline

9.19 Companies that are required to use IAS or choose to use IAS must prepare their accounts in accordance with the requirements of IAS rather than the 2006 Act. IAS deals with the form and content of accounts. Therefore, in broad terms, provisions relating to the form and content of accounts (in particular the accounts formats in the Small Companies Regulations and the Large and Medium-sized Companies Regulations) do not apply to companies using IAS. For example, instead of the profit and loss account and balance sheet required by the 2006 Act, companies must prepare the primary financial statements and supporting notes required under IAS.

9.20 It follows from this that provisions on abbreviated accounts for small and medium-sized companies do not apply because they are not based on IAS but on the formats prescribed under the 2006 Act. Similarly, accounts disclosure requirements in the Act and regulations relating to items in the accounts are not relevant *except* where they relate to items beyond the scope of the IAS Regulation (see paragraph 9.22).

9.21 Those aspects of the 2006 Act that deal with matters outside the scope of IAS will continue to apply when accounts are prepared under IAS. For example, the requirements relating to the directors' report, publication (as

opposed to preparation) of accounts, audit and certain disclosures that are beyond the scope of IAS (for example, disclosures on off-balance sheet arrangements, employee numbers and management remuneration) remain applicable to companies preparing accounts under IAS.

List of provisions

9.22 Those provisions in Part 15 (Accounts) of the 2006 Act and in the Small Companies Regulations and Large and Medium-sized Companies Regulations that will continue to apply to companies preparing accounts under IAS are as follows:

- sections 381 to 384 (companies subject to the small companies regime), so far as applicable to exemptions from audit, from certain directors' report disclosures and from obligation to prepare group accounts
- sections 386 to 389 (duty to keep accounting records)
- sections 390 to 392 (a company's financial year and accounting reference periods)
- section 393 (accounts to give true and fair view)
- sections 394 to 397 (preparation of individual accounts)
- sections 399, 403, 404 and 406 (preparation of group accounts)
- sections 400 to 402 (exemptions from requirement to prepare group accounts)
- section 407 (consistency of financial reporting within group)
- section 408(1), (3) and (4) (treatment of individual profit and loss account where group accounts prepared)
- sections 409 and 410 (information in notes to accounts about related undertakings), with regulations 4 and 10 of, and Schedules 2 and 6 (Part 2) to, the Small Companies Regulations, and regulation 7 of, and Schedule 4 to, the Large and Medium-sized Companies Regulations
- section 410A (information in notes to accounts about off-balance sheet arrangements)
- section 411 (information in notes to accounts about employee numbers and costs)
- sections 412 and 413 (information in notes to accounts about directors' benefits), with regulations 5 and 9 of, and Schedule 3 to, the Small Companies Regulations, and regulation 8 of, and Schedule 5 to, the Large and Medium-sized Companies Regulations
- section 414 (approval and signing of accounts)
- sections 415 to 419 (provisions about directors' report), with regulation 7 of, and Schedule 5 to, the Small Companies Regulations and regulation 10 of, and Schedule 7 to, the Large and Medium-sized Companies Regulations
- sections 420 to 422 (directors' remuneration report of quoted companies), with regulation 11 of, and Schedule 8 to, the Large and Medium-sized Companies Regulations
- sections 423 to 425 (duty to circulate copies of accounts and reports)
- sections 426 to 429 (option to provide summary financial statement)

- section 430 (quoted companies: annual accounts and reports to be made available on website)
- sections 431 and 432 (right of member or debenture holder to demand copies of accounts and reports)
- sections 433 to 436 (requirements in connection with publication of accounts)
- sections 437 and 438 (public companies: laying of accounts and reports before company in general meeting)
- sections 439 and 440 (quoted companies: members' approval of directors' remuneration report)
- sections 441 to 453 (filing of accounts and reports with the registrar of companies)
- sections 454 to 461 (revision of defective accounts and reports)
- section 463 (liability for false or misleading statements in reports)
- sections 465 and 467 (companies qualifying as medium-sized), for the purposes of exemption from certain directors' report disclosures about non-financial key performance indicators
- section 469 (preparation and filing of accounts in euros)
- various definitions, for example in sections 385 (quoted and unquoted companies), 471 (meaning of "annual accounts" and related expressions), 472 (notes to the accounts), 474 (minor definitions), 1161, 1162 and 1173 (interpretation of "parent undertaking", "subsidiary undertaking" and other expressions).

Publication exemptions

9.23 The 2006 Act requirements in respect of laying and delivering accounts continue to apply to parent companies preparing accounts under IAS.

9.24 Section 408 of the 2006 Act provides that, where consolidated accounts are prepared, the parent company's individual profit and loss account and related notes may be omitted from the annual report. Companies that prepare group and individual accounts, and present the latter in accordance with IAS, can continue to take advantage of this exemption. The omission of the profit and loss account (referred to within IAS as the income statement) might be considered to be inconsistent with certain aspects of IAS, for example the requirement in IAS 1 *Presentation of Financial Statements* in relation to a fair presentation. However, IAS does not in itself require the preparation of separate financial statements but permits the omission of certain elements. In other words, the separate financial statements required to be published under the 2006 Act are an extract of the full IAS separate financial statements. This exemption should not affect the ability of a parent company to be treated as a "first-time adopter" and hence to take advantage of exemptions for first time use under the provisions of IFRS 1 *First Time Adoption of International Financial Reporting Standards*. The company will need to provide the disclosure required by section 408(4), ie that advantage has been taken of the publication exemption in section 408(1). The auditor will also need to describe the accounting framework that has been used within its audit reports. In

respect of individual accounts, the reference to the framework will need to make clear that its basis is IAS as adopted by the EU as applied in accordance with the provisions of the 2006 Act.

9.25 The exemption in the 2006 Act relates only to the profit and loss account. By virtue of section 472(2), the exemption also extends to the notes to the profit and loss account. The individual IAS accounts would, however, still need to include the other primary statements and note disclosures required by IAS, including a cash flow statement and a statement of changes in shareholders' equity.

Special considerations for small companies

9.26 There are several points that small companies considering switching to IAS should note.

9.27 IASB standards at present do not provide a simplified regime for small companies, although the IASB has been looking at this.

9.28 As stated above in paragraph 9.20, the provisions on abbreviated accounts do not generally apply, as the format of accounts on which they are based does not apply to companies using IAS.

9.29 However, a small company that elects to use IAS will continue to be permitted to omit its profit and loss account and supporting notes from its published accounts (the IAS equivalent is an income statement). It will also be permitted to continue to use the exemptions in relation to its directors' report.

9.30 The exemption for unlisted small groups from the requirement to prepare consolidated accounts continues to be available to a small parent company under UK law.

9.31 The exemptions for small companies in relation to statutory audit of the accounts will also continue to be available where the accounts are prepared in accordance with IAS.

SFS for companies using IAS

9.32 The requirements for SFS for companies preparing IAS accounts have been restated in the Companies (Summary Financial Statement) Regulations 2008. IAS-based SFS must include summarised versions of the full balance sheet and income statement, prepared using the same headings and line items as the full statements. However, directors have flexibility to combine items of a similar nature where they consider that this is appropriate, as long as the resulting SFS is still consistent with the full accounts. In other respects, the SFS requirements for companies using IAS are the same as those for non-IAS accounts.

9.33 The “consistency” requirement does not require the SFS balance sheet and income statement to be identical in format to the statements in the full accounts. However, the SFS should not give a misleading view of the company’s financial position and performance in comparison to that given by full accounts. The permission to combine headings and line items is therefore limited to items of a similar nature, which the Department for Business, Enterprise & Regulatory Reform believes would generally preclude offsetting of assets and liabilities and income and expenditure. Application of the permission to combine will require use of judgement as to how a more concise presentation can be achieved without giving a misleading impression.

**TABLE COMPARING ACCOUNTING REQUIREMENTS OF DIFFERENT CATEGORIES OF COMPANIES
UNDER THE COMPANIES ACT 2006**

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
2006 Act sections 386-389 - Duty to keep accounting records	Yes	Yes	Yes	Yes	Yes
2006 Act sections 393-408 - Duty to prepare either 2006 Act or IAS individual entity accounts and either Companies Act or IAS group accounts	Yes Can choose whether to prepare 2006 Act or IAS accounts.	Yes Can choose whether to prepare 2006 Act or IAS accounts.	Yes Can choose whether to prepare 2006 Act or IAS accounts.	Yes Can choose whether to prepare 2006 Act or IAS accounts.	Yes Parent company with securities admitted to trading on a regulated market must prepare consolidated accounts in accordance with IAS adopted by the EU. They can choose to prepare IAS individual accounts.

³ For the purposes of the 2006 Act, a small company is defined as one which meets two of the following three criteria – turnover not more than £6.5m, balance sheet total not more than £3.26m and not more than 50 employees – and does not fall into one of the excluded categories (eg public, banking or insurance company).

⁴ For the purposes of the 2006 Act, a medium-sized company is defined as one which meets two of the following three criteria – turnover not more than £25.9m, balance sheet total not more than £12.9m and not more than 250 employees – and does not fall into one of the excluded categories (eg public, banking or insurance company).

⁵ A public company (unlike a private company) is permitted to offer its shares to the public (though it needn't do so on a market).

⁶ "Listed" is the commonly used term. In the Companies Acts, the terms "quoted" and "publicly traded" are also used.

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
<p>Small Companies Regulations Schedules 1 and 6; Large and Medium-sized Companies Regulations Schedules 1 (non-banking companies), 2 (banking companies), 3 (insurance companies) and 6 (group accounts)</p> <p>- Form and contents of Companies Act individual and consolidated accounts</p>	<p>Regulations set out basic form and content of accounts that small companies preparing 2006 Act accounts must prepare for members. They have to provide less information than large and Medium-sized companies. Small companies which are parent companies are not required to prepare group accounts (2006 Act section 398), but if they do so must comply with Schedule 6 to the Regulations.</p>	<p>Regulations set out the basic form and content of 2006 Act accounts. There are some exemptions for medium-sized companies in sections 417(7) and 445 of the 2006 Act and regulation 4 of the Large and Medium-sized Companies Regulations. Medium-sized companies which are parent companies are no longer exempt from preparing group accounts.</p>	<p>Regulations set out the basic form and content of 2006 Act accounts.</p>	<p>Regulations set out the basic form and content of 2006 Act accounts.</p>	<p>Regulations set out the basic form and content of 2006 Act accounts.</p>

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
2006 Act sections 409-411, Small Companies Regulations Schedules 2 and 6 (Part 2) and Large and Medium-sized Companies Regulations Schedule 4 - Note disclosures in all accounts (whether Companies Act or IAS) regarding related undertakings, particulars of staff and off-balance sheet arrangements	Yes, with some exemptions. In particular, section 410A on off-balance sheet arrangements and section 411 on employee numbers and costs do not apply to small companies.	Yes	Yes	Yes	Yes
2006 Act sections 412 and 413, Small Companies Regulations Schedule 3 and Large and Medium-sized Companies Regulations Schedule 5 - Note disclosures in accounts (whether Companies Act or IAS) regarding emoluments and other benefits of directors	Yes, with some exemptions.	Yes	Yes	Yes	Yes Listed and Alternative Investment Market companies subject to additional requirement to show aggregate amount of gains on exercise of share options. Quoted companies exempt from Part 2 of Schedule 5; instead must prepare separate directors' remuneration report.
2006 Act section 414 - Approval and signing of accounts	Yes	Yes	Yes	Yes	Yes

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
<p>2006 Act sections 415-419, Small Companies Regulations Schedule 5 and Large and Medium-sized Companies Regulations Schedule 7</p> <p>- Duty to prepare directors' report including business review, and certain disclosures eg concerning employees</p>	<p>Must prepare a directors' report (but not a business review) for members. Do not have to deliver to the registrar of companies.</p>	<p>Must prepare and publish a directors' report including a business review. Business review does not have to include non-financial key performance indicators.</p>	<p>Must prepare and publish a directors' report including a business review.</p>	<p>Must prepare and publish a directors' report including a business review.</p>	<p>Must prepare and publish a directors' report including a business review.</p> <p>Under section 417(5) of the 2006 Act, the business review of a quoted company must also contain, to the extent necessary for an understanding of the business, information about main trends and factors likely to affect company's development and performance, information about environmental, employee and social and community issues and information about those with whom the company has arrangements essential to its business. If any of this information is not included, this must be stated.</p>

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
<p>2006 Act sections 420-422 and 439-440 and Large and Medium-sized Companies Regulations Schedule 8 - Directors' Remuneration Report</p>	No	No	No	No	<p>Yes, required of quoted companies.</p> <p>For financial years beginning on or after 6th April 2009, the directors' remuneration report must include a statement of how pay and employment conditions of employees across the company and group have been taken into account when setting directors' pay.</p>

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
<p>2006 Act sections 423-425 and 430-438</p> <p>- Duty to circulate copies and accounts and reports</p>	<p>Yes</p> <p>Must be sent to members, debenture holders and every person entitled to receive notice of general meetings (if a general meeting is held) at the end of the period allowed for filing accounts, or when they are filed if earlier.</p>	<p>Yes</p> <p>Must be sent to members, debenture holders and every person entitled to receive notice of general meetings (if a general meeting is held) at the end of the period allowed for filing accounts, or when they are filed if earlier.</p>	<p>Yes</p> <p>Must be sent to members, debenture holders and every person entitled to receive notice of general meetings (if a general meeting is held) at the end of the period allowed for filing accounts, or when they are filed if earlier.</p>	<p>Yes</p> <p>Must lay accounts at Annual General Meeting, to be held not later than end of period for filing accounts. Must send accounts to members, debenture holders and every person entitled to receive notice of general meetings at least 21 days before meeting at which accounts to be laid.</p>	<p>Yes</p> <p>Must lay accounts at Annual General Meeting, to be held not later than end of period for filing accounts. Must send accounts to members, debenture holders and every person entitled to receive notice of general meetings at least 21 days before meeting at which accounts to be laid.</p> <p>Under the 2006 Act (section 430), quoted companies must make annual accounts and reports available on website as soon as reasonably practicable.</p>

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
2006 Act sections 426-429 - Option to provide Summary Financial Statement	Yes	Yes	Yes	Yes	Yes
2006 Act sections 441-450, Large and Medium-sized Companies Regulations Regulation 4(3) - Filing of accounts and reports	Must deliver to registrar of companies balance sheet and auditor's report (if audited). Must file accounts not later than 9 months from end of financial year.	Must deliver to the registrar of companies annual accounts, directors' report and auditor's report. Must file accounts not later than 9 months from end of financial year. Regulation 4(3) of the Large and Medium-sized Companies Regulations provide some exemptions for the accounts medium-sized deliver to the registrar.	Must deliver to the registrar of companies annual accounts, directors' report and auditor's report. Must file accounts not later than 9 months from end of financial year.	Must deliver to the registrar of companies annual accounts, directors' report and auditor's report. Must file accounts not later than 6 months from end of financial year.	Must deliver to the registrar of companies annual accounts, directors' report, directors' remuneration report and auditor's report. Must file accounts not later than 6 months from end of financial year.

	Small Private ³	Medium Private ⁴	Large Private	Public ⁵	Listed ⁶
Small Companies Regulations Schedule 4 - Form and content of abbreviated accounts of small companies delivered to registrar	Sets out shorter version of 2006 Act accounts that small companies can file with the registrar of companies (although they must still provide Schedule 1 accounts to members).	No	No	No	No

THE LARGE AND MEDIUM-SIZED COMPANIES AND GROUPS (ACCOUNTS AND REPORTS) REGULATIONS

TABLE OF DERIVATIONS

Regulation/Schedule	1985 Act provision	1986 Order provision
1		
2		
3(1)	226A(3)	A234A(3)
3(2)	230(2)	A238(2)
4(1)	246A(1)	A254A(1)
4(2)(a)	246A(2)	A254A(2)
4(2)(b)	Implements option in article 1.6 of Directive 2006/46 to exempt medium-sized companies from disclosure of related party transactions	
4(3)(a)	246A(3)(a) , amended to require disclosure of turnover in profit and loss account	A254A(3)(a), amended to require disclosure of turnover in profit and loss account
4(3)(b)	246A(3)(b)	A254A(3)(b)
5(1)	255(1)	A263(1)
5(2)	230(2)	A238(2)
5(3)	255(3)	A263(3)
6(1)	255(2)	A263(2)
6(2)	230(2)	A238(2)
6(3)	255(3)	A263(3)
7	231(1) to (3)	A239(1) to (3)
8	232	A240
9(1)	227A(3)	A253A(3)
9(2)	255A(1)	A263A(1)
9(3)	255A(2)	A263A(2)

Regulation/Schedule	1985 Act provision	1986 Order provision
9(4)	255A(3)	A255A(3)
10	234ZZA(3) and (4)	A242ZZA(3) and (4)
11(1)	234B(1)	A242B(1)
11(2)	234B(2)	A242B(2)
11(3)	235(5)	A243(5)
12	Sections 152(2), 172(2), 264(2), 265(2), 270(2), Schedule 4, paragraphs 88 and 89, Schedule 9, paragraph 85 and Schedule 9A, paragraph 84	A162(2), A182(2), A272(2), A273(2), 278(2), Sch4, paragraphs 87 and 88, Schedule 9, paragraph 85 and Schedule 9A, paragraph 84
13	Section 262; Schedule 4, Part 7; Schedule 9, Part 1; Chapter 4, Schedule 9A; Part 1, Chapter 4. Definition of "investment property" in Schedule 4 paragraph 82A not re-enacted as overtaken by accounting standards.	A270; Schedule 4, Part 7; Schedule 9, Part 1; Chapter 4, Schedule 9A; Part 1, Chapter 4. Definition of "investment property" in Schedule 4, paragraph 81A not re-enacted as overtaken by accounting standards.
Schedule 1	Schedule 4	Schedule 4
paragraph 36	Paragraph 34A of Schedule 4 amended to implement article 1.5 of Directive 2006/46	Paragraph 34A of Schedule 4 amended to implement article 1.5 of Directive 2006/46
paragraph 47	Paragraph 38(1)(a) of Schedule 4 not restated, as 2006 Act has repealed the requirement to have authorised share capital	Paragraph 38(1)(a) of Schedule 4 not restated. As 2006 Act has repealed the requirement to have authorised share capital
paragraph 72	New. Implements Article 1.6(7b) of Directive 2006/46.	
Schedule 2	Schedule 9, Part 1	Schedule 9, Part 1
paragraph 44	Paragraph 44A of Schedule 9 amended to implement article 1.5 of Directive 2006/46 as applied to banking companies	Paragraph 44A of Schedule 9 amended to implement article 1.5 of Directive 2006/46 as applied to banking companies
paragraph 58	Paragraph 51(1)(a) of Schedule 9 not restated, as 2006 Act has repealed the requirement to have authorised share capital	Paragraph 51(1)(a) of Schedule 9 not restated as 2006 Act has repealed the requirement to have authorised share capital
paragraph 92	New. Implements Article 1.6(7b) of Directive 2006/46 as applied to banking companies.	

Regulation/Schedule	1985 Act provision	1986 Order provision
Schedule 3	Schedule 9A, Part 1	Schedule 9A, Part 1
paragraph 30	Paragraph 29A of Schedule 9A amended to implement article 1.5 of Directive 2006/46 as applied to insurance companies	Paragraph 29A of Schedule 9A amended to implement article 1.5 of Directive 2006/46 as applied to insurance companies
paragraph 65	Paragraph 58(1)(a) of Schedule 9A not restated, as 2006 Act has repealed the requirement to have authorised share capital	Paragraph 58(1)(a) of Schedule 9A not restated as 2006 Act has repealed the requirement to have authorised share capital
paragraph 90	New. Implements Article 1.6(7b) of Directive 2006/46, as applied to insurance companies.	
Schedule 4	Schedule 5	Schedule 5
Part 1	Schedule 5, Part 1	Schedule 5, Part 1
Part 2	Schedule 5, Part 2	Schedule 5, Part 2
Part 3	Schedule 9, Part 3	Schedule 9, Part 3
Part 4	Schedule 2, as applied by Schedule 5 paragraphs 6(4) and 20(4)	Schedule 2, as applied by Schedule 5, paragraphs 6(4) and 20(4)
Schedule 5	Schedule 6, Part 1	Schedule 6, Part 1
Schedule 6		
Part 1	Schedule 4A	Schedule 4A
paragraphs 9, 13 and 17	Paragraphs 9, 13 and 17 of Schedule 4A simplified to facilitate convergence with international accounting standards, by deleting definitions of "identifiable assets", "acquisition costs" and "adjusted capital and reserves" in paragraph 9; by omitting paragraph 13(5); and by making the format requirements for minority interests less prescriptive.	Paragraphs 9, 13 and 17 of Schedule 4A simplified to facilitate convergence with international accounting standards, by deleting definitions of "identifiable assets", "acquisition costs" and "adjusted capital and reserves" in paragraph 9; by omitting paragraph 13(5); and by making the format requirement for minority interests less prescriptive.
paragraph 22	New. Implements Article 2.1(7b) of Directive 2006/46	

Regulation/Schedule	1985 Act provision	1986 Order provision
Part 2	Schedule 9, Part 2	Schedule 9, Part 2
paragraph 25	Paragraph 3 in Part 2 of Schedule 9 simplified to facilitate convergence with international accounting standards, reflecting the changes to paragraph 17 above.	Paragraph 3 in Part 2 of Schedule 9 simplified to facilitate convergence with international accounting standards, reflecting the changes to paragraph 17 above
Part 3	Schedule 9A, Part 2	Schedule 9A, Part 2
paragraph 36	Paragraph 1(6) in Part 2 of Schedule 9A simplified to facilitate convergence with international accounting standards, reflecting the changes to paragraph 17 above.	Paragraph 1(6) in Part 2 of Schedule 9A simplified to facilitate convergence with international accounting standards, reflecting the changes to paragraph 17 above.
Schedule 7	Schedule 7	Schedule 7, but paragraphs 3 – 5 in 1986 Order differ from paragraphs 3 – 5A in the 1985 Act
paragraphs 3 and 4	Threshold for disclosure of political donations and expenditure raised from £200 to £2000. Paragraphs re-drafted to reflect Part 14 of the 2006 Act and to introduce disclosure requirement for donations to independent election candidate.	
paragraph 5	Threshold for disclosure of charitable donations raised from £200 to £2000.	
Part 6	Section 992(2) 2006 Act	
Schedule 8	Schedule 7A	Schedule 7A
paragraph 4	New requirement	
Schedule 9		
paragraph 1	Schedule 4, paragraph 88; Schedule 9, paragraph 85(a) and (b); Schedule 9A paragraph 84(a) and (b).	Schedule 4, paragraph 87; Schedule 9, paragraph 85(a) and (b); Schedule 9A, paragraph 84(a) and (b)
paragraph 2	Schedule 4, paragraph 89; Schedule 9, paragraph 85(c); Schedule 9A, paragraph 84(c).	Schedule 4, paragraph 88; Schedule 9, paragraph 85(c); Schedule 9A, paragraph 84(c)

Regulation/Schedule	1985 Act provision	1986 Order provision
paragraph 3	Section 152(2)	A162(2)
paragraph 4	Section 172(2)	A182(2)
paragraph 5	Section 264(2)	A272(2)
paragraph 6	Section 265(2)	273(2)
paragraph 7	Section 270(2)	278(2)
Schedule 10		
paragraph 1	Section 262(1)	270(1)
paragraphs 2 and 3	Schedule 4, paragraphs 76A and 76B; Schedule 9A, paragraphs 81A and 81B.	Schedule 4, paragraphs 76A and 76B; Schedule 9A, paragraphs 81A and 81B
paragraph 4	Section 262(1)	A270(1)
paragraph 5	Schedule 4, paragraph 27(6); Schedule 9, paragraph 82; Schedule 9A, paragraph 81(1).	Schedule 4, paragraph 27(6); Schedule 9, paragraph 82; Schedule 9A, paragraph 81(1)
paragraph 6	Schedule 4, paragraph 29; Schedule 9, paragraph 39.	Schedule 4, paragraph 29; Schedule 9, paragraph 39
paragraph 7	Schedule 4, paragraph 83; Schedule 9, paragraph 82; Schedule 9A, paragraph 81(1).	Schedule 4, paragraph 82; Schedule 9, paragraph 82; Schedule 9A, paragraph 81(1)
paragraph 8	Schedule 4, paragraph 84; Schedule 9A, paragraph 81(1)	Schedule e, paragraph 83 (in part); Schedule 9A, paragraph 81(1)
paragraph 9	Schedule 4, paragraph 85; Schedule 9, paragraph 83; Schedule 9A, paragraph 82.	Schedule 4, paragraph 84; Schedule 9, paragraph 83; Schedule 9A, paragraph 82
paragraph 10	Schedule 4, paragraph 86; Schedule 9, paragraph 84; Schedule 9A, paragraph 83.	Schedule 4, paragraph 85; Schedule 9, paragraph 84; Schedule 9A, paragraph 83
paragraph 11	Section 260	A268
paragraph 12	Section 262(1)	A270(1)
paragraph 13	Section 262(3)	A270(3)
paragraph 14	Schedule 4, paragraph 94; Schedule 9, paragraph 87; Schedule 9A, paragraph 86.	Schedule 4, paragraph 92; Schedule 9, paragraph 86; Schedule 9A, paragraph 85
paragraph 15	Schedule 4, paragraph 93; Schedule 9, paragraph 86; Schedule 9A, paragraph 85.	No NI equivalent of these paragraphs

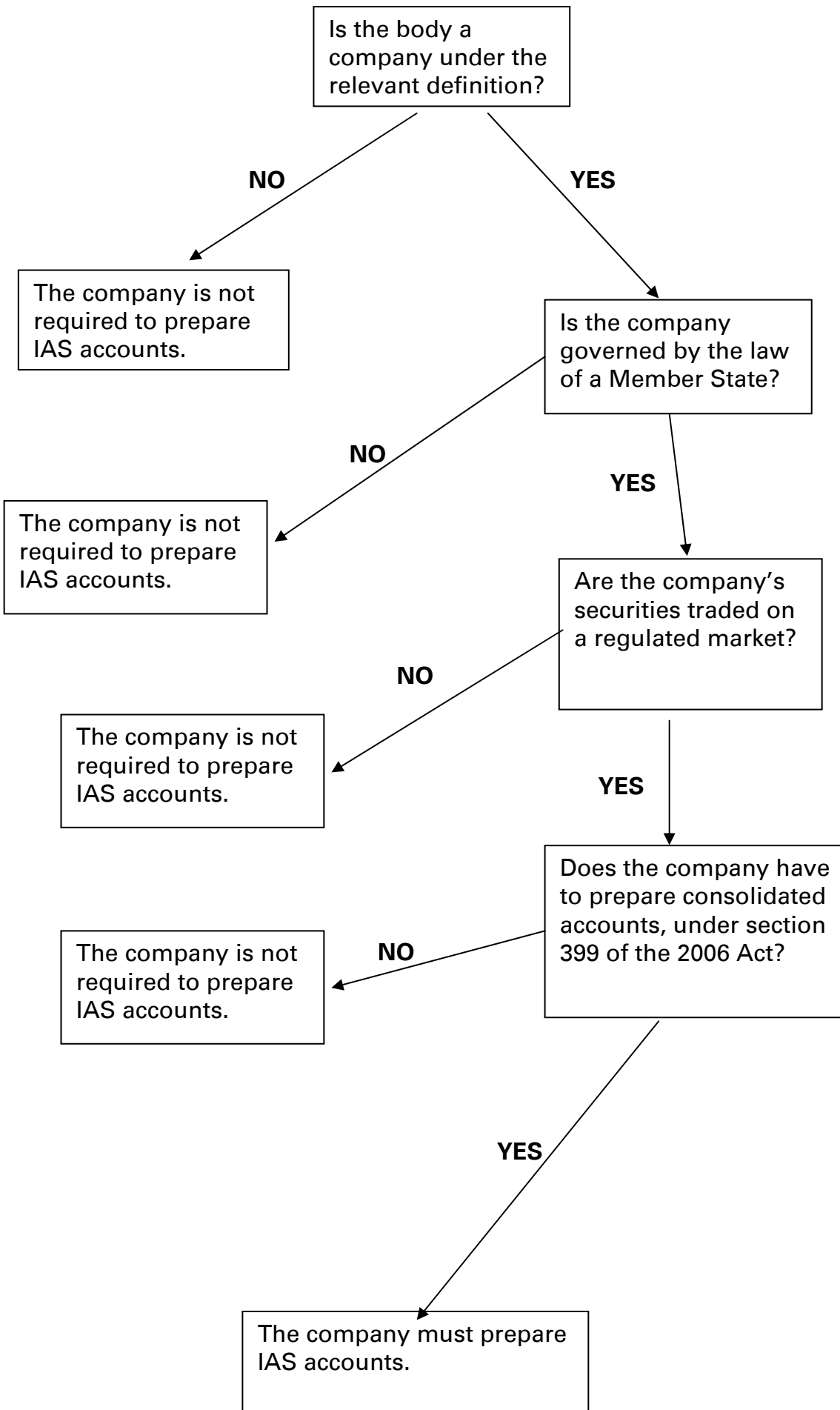
THE SMALL COMPANIES AND GROUPS (ACCOUNTS AND DIRECTORS' REPORT) REGULATIONS

TABLE OF DERIVATIONS

Regulation/Schedule	1985 Act provision	1986 Order provision
1		
2	Section 246(1)	A254(1)
3(1)	Section 246(2)	A254(2)
3(2)	Section 230(2)	A238(2)
3(3)	Section 246(2)	254(2)
4	Section 231, section 246(3)(b)(i)	A239, A254(3)(b)(i)
5	Section 232, section 246(3)(a) and (b)(ii) to (iv)	A240, A254(3)(a) and (b)(ii) to (iv)
6(1)	Section 246(5)(c)	A254(5)(c)
6(2)	Section 246(6)(a) to (c)	A254(6)(a) to (c)
7	Section 234, section 246(4)	A242, A254(4)
8	Section 248A	A256A
9	Section 232, section 246(3)(a) and (b)(ii) to (iv)	A240, A254(3)(a) and (b)(ii) to (iv)
10	Section 232, section 246(3)(a) and (b)(ii) to (iv) and Part 2 of Schedule 5	A240, A254(3)(a) and (b)(ii) to (iv) and Part 2 of Schedule 5
11	Section 246(6)	A254(6)
12	Sections 152(2), 172(2) and 270(2); Schedule 8, paragraphs 57 and 58	A162(2), A182(2) and A278(2); Schedule 8, paragraphs 57 and 58
13	Section 262, Schedule 8 Part 4. Paragraph 53A of Schedule 8 (definition of "investment property") not re-enacted as overtaken by accounting standards.	A270, Schedule 8 Part 4. Paragraph 53A of Schedule 8 (definition of "investment property") not re-enacted as overtaken by accounting standards
Schedule 1	Schedule 8	Schedule 8
paragraph 36	Paragraph 34A of Schedule 8 amended to implement article 1.5 of Directive 2006/46	Paragraph 34A of Schedule 8 amended to implement articles 1.5 of Directive 2006/46

Regulation/Schedule	1985 Act provision	1986 Order provision
paragraph 46	Paragraph 38(1)(a) of Schedule 8 not restated, as 2006 Act has repealed the requirement to have authorised share capital	Paragraph 38(1)(a) of Schedule 8 not restated as 2006 Act has repealed the requirement to have authorised share capital
Schedule 2	Schedule 5, Part 1	Schedule 5, Part 1
Schedule 3	Section 246(3)(a) and (b)(ii)-(iv); Schedule 6	A254(3)(a) and (b)(ii) to (iv); Schedule 6
Schedule 4	Schedule 8A	Schedule 8A
paragraph 4	Paragraph 5(1)(a) of Schedule 8A not restated, as 2006 Act has repealed requirement to have authorised share capital.	Paragraph 5(1)(a) of Schedule 8A not restated as 2006 Act has repealed requirement to have authorised share capital
Schedule 5	Schedule 7, section 246(4)	Schedule 7 (with variations re paragraphs 5 and 5A); A254(4)
paragraphs 2 and 3	Threshold for disclosure of political donations and expenditure raised from £200 to £2000. Paragraphs re-drafted to reflect Part 14 of the 2006 Act and to introduce disclosure requirement for donations to independent election candidate.	
paragraph 4	Threshold for disclosure of charitable donations raised from £200 to £2000.	
Schedule 6		
Part 1	Section 248A and Schedule 4A, with simplifications to paragraphs 9, 13 and 17 of Schedule 4A to facilitate convergence with international accounting standards, by deleting definitions of “identifiable assets”, “acquisition costs” and “adjusted capital and reserves” in paragraph 9; by omitting paragraph 13(5); and by making the format requirements for minority interests less prescriptive.	A256A and Schedule 4A, with simplifications to paragraphs 9, 13 and 17 of Schedule 4A to facilitate convergence with international accounting standards, by deleting definitions of “identifiable assets”, “acquisition costs” and “adjusted capital and reserves” in paragraph 9; by omitting paragraph 13(5); and by making the format requirements for minority interests less prescriptive.
Part 2	Schedule 5, Part 2	Schedule 5, Part 2
Schedule 7		

Regulation/Schedule	1985 Act provision	1986 Order provision
paragraph 1	Schedule 8, paragraph 57	Schedule 8, paragraph 57
paragraph 2	Schedule 8, paragraph 58	Schedule 8, paragraph 58
paragraph 3	Section 152(2)	A162(2)
paragraph 4	Section 172(2)	A182(2)
paragraph 5	Section 270(2)	A278(2)
Schedule 8		
paragraphs 1 and 2	Schedule 8, paragraphs 52A and 52B	Schedule 8, paragraphs 52A and 52B
paragraph 3	Section 262	A270
paragraph 4	Schedule 8, paragraph 53	Schedule 8, paragraph 53
paragraph 5	Schedule 8, paragraph 54	Schedule 8, paragraph 54
paragraph 6	Schedule 8, paragraph 55	Schedule 8, paragraph 55
paragraph 7	Schedule 8, paragraph 56	Schedule 8, paragraph 56
paragraph 8	Section 260	A268
paragraph 9	Section 262(1)	A270(1)
paragraph 10	Section 262(3)	A270(3)
paragraph 11	Schedule 8, paragraph 59	Schedule 8, paragraph 59



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