

SCHEDULES

SCHEDULE 1

Article 6(2).

FORM AND CONTENT OF COMPANY ACCOUNTS

1. Schedule 4 to the 1986 Order (form and content of company accounts) is amended as follows.

Group undertakings

2.—(1) For “group companies”, wherever occurring, substitute “group undertakings”.

(2) That expression occurs—

- (a) in Balance Sheet Format 1, in Items B.III.1 and 2, C.II.2, C.III.1, E.6 and H.6;
- (b) in Balance Sheet Format 2—
 - (i) under the heading “ASSETS”, in Items B.III.1 and 2, C.II.2 and C.III.1;
 - (ii) under the heading “LIABILITIES”, in Item C.6;
- (c) in the Profit and Loss Accounts Formats—
 - (i) in Format 1, Item 7;
 - (ii) in Format 2, Item 9;
 - (iii) in Format 3, Item B.3;
 - (iv) in Format 4, Item B.5;
- (d) in Notes (15) and (16) to the profit and loss account formats; and
- (e) in the second sentence of paragraph 53(2) (exclusion from requirement to state separately certain loans).

Participating interests

3.—(1) For “shares in related companies”, wherever occurring, substitute “participating interests”.

(2) That expression occurs—

- (a) in Balance Sheet Format 1, Item B.III.3;
- (b) in Balance Sheet Format 2, under the heading “ASSETS”, in Item B.III.3;
- (c) in the Profit and Loss Accounts Formats—
 - (i) in Format 1, Item 8;
 - (ii) in Format 2, Item 10;
 - (iii) in Format 3, Item B.4;
 - (iv) in Format 4, Item B.6.

4.—(1) For “related companies”, wherever occurring in any other context, substitute “undertakings in which the company has a participating interest”.

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- (2) Those contexts are—
- (a) in Balance Sheet Format 1, in Items B.III.4, C.II.3, E.7 and H.7;
 - (b) in Balance Sheet Format 2—
 - (i) under the heading “ASSETS”, in Items B.III.4 and C.II.3;
 - (ii) under the heading “LIABILITIES”, in Item C.7.

Consistency of accounting policies

5. For paragraph 11 (consistency of accounting policy from one year to the next) substitute—
- “11. Accounting policies shall be applied consistently within the same accounts and from one financial year to the next.”.

Revaluation reserve

6. In paragraph 34 (revaluation reserve), for sub-paragraph (3) (circumstances in which reduction of reserve required or permitted) substitute—

- “(3) An amount may be transferred from the revaluation reserve—
- (a) to the profit and loss account, if the amount was previously charged to that account or represents realised profit, or
 - (b) on capitalisation;

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

(3A) In sub-paragraph (3)(b) “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.

(3B) The revaluation reserve shall not be reduced except as mentioned in this paragraph.”.

Compliance with accounting standards

7. After paragraph 36 (disclosure of accounting policies) insert—
- “36A. It shall be stated whether the accounts have been prepared in accordance with applicable accounting standards and particulars of any material departure from those standards and the reasons for it shall be given.”.

Provision for taxation

8. For paragraph 47 (provision for taxation) substitute—
- “47. The amount of any provision for deferred taxation shall be stated separately from the amount of any provision for other taxation.”.

Loans in connection with assistance for purchase of company’s own shares

9. In paragraph 51(2) (disclosure of outstanding loans in connection with certain cases of financial assistance for purchase of company’s own shares), after “163(4)(b)” insert “, (bb)”.

Obligation to show corresponding amounts for previous financial year

10. In paragraph 58(3) (exceptions from obligation to show corresponding amount for previous financial year), for heads (a) to (c) substitute—

- “(a) paragraph 13 of Schedule 4A (details of accounting treatment of acquisitions),
- (b) paragraphs 2, 8(3), 16, 21(1)(d), 22(4) and (5), 24(3) and (4) and 27(3) and (4) of Schedule 5 (shareholdings in other undertakings),
- (c) Parts II and III of Schedule 6 (loans and other dealings in favour of directors and others), and
- (d) paragraphs 42 and 46 (fixed assets and reserves and provisions).”.

Special provisions where company is parent company or subsidiary undertaking

11.—(1) For the heading to Part IV (special provisions where the company is a holding or subsidiary company) substitute—

“PART IV

*SPECIAL PROVISIONS WHERE COMPANY IS A
PARENT COMPANY OR SUBSIDIARY UNDERTAKING”.*

(2) In that Part for paragraph 59 substitute—

“Dealings with or interests in group undertakings

59. Where a company is a parent company or a subsidiary undertaking and any item required by Part I of this Schedule to be shown in the company’s balance sheet in relation to group undertakings includes—

- (a) amounts attributable to dealings with or interests in any parent undertaking or fellow subsidiary undertaking, or
- (b) amounts attributable to dealings with or interests in any subsidiary undertaking of the company,

the aggregate amounts within heads (a) and (b) respectively shall be shown as separate items, either by way of subdivision of the relevant item in the balance sheet or in a note to the company’s accounts.”.

(3) After that paragraph insert—

“Guarantees and other financial commitments in favour of group undertakings

59A. Commitments within any of sub-paragraphs (1) to (5) of paragraph 50 (guarantees and other financial commitments) 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,

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

SCHEDULE 2

Article 7(2).

[SCHEDULE 4A TO THE 1986 ORDER]FORM AND CONTENT OF GROUP ACCOUNTS

General rules

1.—(1) Group accounts shall comply so far as practicable with the provisions of Schedule 4 as if the undertakings included in the consolidation (“the group”) were a single company.

(2) In particular, for the purposes of paragraph 59 of that Schedule (dealings with or interests in group undertakings) as it applies to group accounts—

(a) any subsidiary undertakings of the parent company not included in the consolidation shall be treated as subsidiary undertakings of the group, and

(b) if the parent company is itself a subsidiary undertaking, the group shall be treated as a subsidiary undertaking of any parent undertaking of that company, and the reference to fellow-subsidiary undertakings shall be construed accordingly.

(3) Where the parent company is treated as an investment company for the purposes of Part V of that Schedule (special provisions for investment companies) the group shall be similarly treated.

2.—(1) The consolidated balance sheet and profit and loss account shall 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 differs from that of the parent company, the group accounts shall 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 3 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 shall 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 shall 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 shall be disclosed in a note to the latter accounts and the reasons for the difference given.

5. Amounts which 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, shall 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 shall 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” shall be construed accordingly.

8. An acquisition shall 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 shall be included in the consolidated balance sheet at their fair values as at the date of acquisition.

In this paragraph the “identifiable” assets or liabilities of the undertaking acquired means the assets or liabilities which are capable of being disposed of or discharged separately, without disposing of a business of the undertaking.

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

(4) There shall 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.

For this purpose—

“the acquisition cost” means the amount of any cash consideration and the fair value of any other consideration, together with such amount (if any) in respect of fees and other expenses of the acquisition as the company may determine, and

“the adjusted capital and reserves” of the undertaking acquired means its capital and reserves at the date of the acquisition after adjusting the identifiable assets and liabilities of the undertaking to fair values as at that date.

(5) The resulting amount if positive shall 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 per cent. of the nominal value of the relevant shares in the undertaking acquired is held by or on behalf of the parent company and its subsidiary undertakings,

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- (b) that the proportion referred to in head (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 per cent. 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 shall 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 shall be included in the group accounts for the entire financial year, including the period before the acquisition.

(4) The group accounts shall 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 shall 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 shall be shown as an adjustment to the consolidated reserves.

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

- (a) shares in relation to which Article 141 (merger relief) applies, in respect of which the appropriate amount is the nominal value; or
- (b) shares in relation to which Article 142 (relief in respect of group reconstructions) applies, in respect of which the appropriate amount is the nominal value together with any minimum premium value within the meaning of that Article.

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

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

(3) Other references to the undertaking acquired shall 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 shall 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 shall be given in a note to the accounts.

- (2) There shall 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 shall be given.

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

- (4) The profit or loss of the undertaking or group acquired shall be stated—
- (a) for the period from the beginning of the financial year of the undertaking or, as the case may be, of the parent undertaking of the group, up to the date of the acquisition, and
 - (b) for the previous financial year of that undertaking or parent undertaking;

and there shall also be stated the date on which the financial year referred to in head (a) began.

(5) 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 shall 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.

(6) Where the merger method of accounting has been adopted, an explanation shall be given of any significant adjustments made in relation to the amounts of the assets and liabilities of the undertaking or group acquired, together with a statement of any resulting adjustment to the consolidated reserves (including the restatement of opening consolidated reserves).

(7) In ascertaining for the purposes of sub-paragraph (4), (5) or (6) 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 shall be made.

14.—(1) There shall 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.

(2) That figure shall 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 figures shown in the group accounts, there shall 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 Department agrees that the information should not be disclosed.

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Minority interests

17.—(1) The formats set out in Schedule 4 have effect in relation to group accounts with the following additions.

(2) In the Balance Sheet Formats a further item headed “Minority interests” shall be added—

- (a) in Format 1, either after item J or at the end (after item K), and
- (b) in Format 2, under the general heading “LIABILITIES”, between items A and B;

and under that item shall be shown 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 a further item headed “Minority interests” shall be added—

- (a) in Format 1, between items 14 and 15,
- (b) in Format 2, between items 16 and 17,
- (c) in Format 3, between items 7 and 8 in both sections A and B, and
- (d) in Format 4, between items 9 and 10 in both sections A and B;

and under that item shall be shown the amount of any profit or loss on ordinary 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) In the Profit and Loss Account Formats a further item headed “Minority interests” shall be added—

- (a) in Format 1, between items 18 and 19,
- (b) in Format 2, between items 20 and 21,
- (c) in Format 3, between items 9 and 10 in section A and between items 8 and 9 in section B, and
- (d) in Format 4, between items 11 and 12 in section A and between items 10 and 11 in section B;

and under that item shall be shown 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.

(5) For the purposes of paragraph 3(3) and (4) of Schedule 4 (power to adapt or combine items)—

- (a) the additional item required by sub-paragraph (2) shall be treated as one to which a letter is assigned, and
- (b) the additional items required by sub-paragraphs (3) and (4) shall be treated as ones to which an Arabic number is assigned.

Interests in subsidiary undertakings excluded from consolidation

18. The interest of the group in subsidiary undertakings excluded from consolidation under Article 237(4) (undertakings with activities different from those of undertakings included in the consolidation), and the amount of profit or loss attributable to such an interest, shall be shown in the consolidated balance sheet or, as the case may be, in the consolidated profit and loss account by the equity method of accounting (including dealing with any goodwill arising in accordance with paragraphs 17 to 19 and 21 of Schedule 4).

Joint ventures

19.—(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 Part relating to the preparation of consolidated accounts apply, with any necessary modifications, to proportional consolidation under this paragraph.

Associated undertakings

20.—(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 19.

(2) Where an undertaking holds 20 per cent. or more of the voting rights in another undertaking, it shall be 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 10A (rights to be taken into account and attribution of rights) apply in determining for the purposes of this paragraph whether an undertaking holds 20 per cent. or more of the voting rights in another undertaking.

21.—(1) The formats set out in Schedule 4 have effect in relation to group accounts with the following modifications.

(2) In the Balance Sheet Formats the items headed “Participating interests”, that is—

- (a) in Format 1, item B.III.3, and
- (b) in Format 2, item B.III.3 under the heading “ASSETS”,

shall be replaced by two items, “Interests in associated undertakings” and “Other participating interests”.

(3) In the Profit and Loss Account Formats, 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,

shall be replaced by two items, “Income from interests in associated undertakings” and “Income from other participating interests”.

22.—(1) The interest of an undertaking in an associated undertaking, and the amount of profit or loss attributable to such an interest, shall be shown by the equity method of accounting (including dealing with any goodwill arising in accordance with paragraphs 17 to 19 and 21 of Schedule 4).

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(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.

SCHEDULE 3

Article 8(2).

[SCHEDULE 5 TO THE 1986 ORDER]DISCLOSURE OF INFORMATION: RELATED UNDERTAKINGS

PART I

COMPANIES NOT REQUIRED TO PREPARE GROUP ACCOUNTS

Subsidiary undertakings

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

- (2) The name of each subsidiary undertaking shall be stated.
- (3) There shall be stated with respect to each subsidiary undertaking—
 - (a) if it is incorporated outside Northern Ireland, the country in which it is incorporated;
 - (b) if it is unincorporated, the address of its principal place of business.
- (4) The reason why the company is not required to prepare group accounts shall be stated.

(5) If the reason is that all the subsidiary undertakings of the company fall within the exclusions provided for in Article 237, it shall be stated with respect to each subsidiary undertaking which of those exclusions applies.

Holdings in subsidiary undertakings

2.—(1) There shall 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 shall 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 shall 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 is exempt by virtue of Article 236 from the requirement to prepare group accounts (parent company included in accounts of larger group).

(3) That information need not be given if—

(a) the subsidiary undertaking is not required by any provision of this Order to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Northern Ireland or elsewhere, and

(b) the company's holding is less than 50 per cent. 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 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.

Financial years of subsidiary undertakings

4. Where the financial year of one or more subsidiary undertakings did not end with that of the company, there shall be stated in relation to each such undertaking—

(a) the reasons why the company's directors consider that its financial year should not end with that of the company, and

(b) the date on which its last financial year ended (last before the end of the company's financial year).

Instead of the dates required by sub-paragraph (b) being given for each subsidiary undertaking the earliest and latest of those dates may be given.

Further information about subsidiary undertakings

5.—(1) There shall be disclosed—

(a) any qualifications contained in the auditors' reports on the accounts of subsidiary undertakings for financial years ending with or during the financial year of the company, and

(b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification,

in so far as the matter which is the subject of the qualification or note is not covered by the company's own accounts and is material from the point of view of its members.

(2) The aggregate amount of the total investment of the company in the shares of subsidiary undertakings shall be stated by way of the equity method of valuation, unless—

(a) the company is exempt from the requirement to prepare group accounts by virtue of Article 236 (parent company included in accounts of larger group), and

(b) the directors state their opinion that the aggregate value of the assets of the company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated or included in the company's balance sheet.

(3) In so far as information required by this paragraph is not obtainable, a statement to that effect shall be given instead.

Shares and debentures of company held by subsidiary undertakings

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

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

(3) The exception for shares or debentures 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) Schedule 2 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

7.—(1) The information required by paragraphs 8 and 9 shall 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 10 per cent. 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 one-tenth of the amount (as so stated) of the company's assets.

8.—(1) The name of the undertaking shall be stated.

(2) There shall be stated—

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

(3) There shall 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.

9.—(1) Where the company has a significant holding in an undertaking amounting to 20 per cent. or more of the nominal value of the shares in the undertaking, there shall 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 is exempt by virtue of Article 236 from the requirement to prepare group accounts (parent company included in accounts of larger group), 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 this Order to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Northern Ireland or elsewhere, and
 - (b) the company's holding is less than 50 per cent. 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.

Arrangements attracting merger relief

10.—(1) This paragraph applies to arrangements attracting merger relief, that is, where a company allots shares in consideration for the issue, transfer or cancellation of shares in another body corporate ("the other company") in circumstances such that Article 140 (share premium account) does not, by virtue of Article 141(2) (merger relief), apply to the premiums on the shares.

(2) If the company makes such an arrangement during the financial year, the following information shall be given—

- (a) the name of the other company,
- (b) the number, nominal value and class of shares allotted,
- (c) the number, nominal value and class of shares in the other company issued, transferred or cancelled, and
- (d) particulars of the accounting treatment adopted in the company's accounts in respect of the issue, transfer or cancellation.

(3) Where the company made such an arrangement during the financial year, or during either of the two preceding financial years, and there is included in the company's profit and loss account—

- (a) any profit or loss realised during the financial year by the company on the disposal of—
 - (i) any shares in the other company, or
 - (ii) any assets which were fixed assets of the other company or any of its subsidiary undertakings at the time of the arrangement, or
- (b) any part of any profit or loss realised during the financial year by the company on the disposal of any shares (other than shares in the other company) which was attributable to the fact that there were at the time of the disposal amongst the assets of the company which issued the shares, or any of its subsidiary undertakings, such shares or assets as are described in head (a),

then, the net amount of that profit or loss or, as the case may be, the part so attributable shall be shown, together with an explanation of the transactions to which the information relates.

- (4) For the purposes of this paragraph the time of the arrangement shall be taken to be—
- (a) where as a result of the arrangement the other company becomes a subsidiary undertaking of the company, the date on which it does so or, if the arrangement in question becomes binding only on the fulfilment of a condition, the date on which that condition is fulfilled;
 - (b) if the other company is already a subsidiary undertaking of the company, the date on which the shares are allotted or, if they are allotted on different days, the first day.

Status: This is the original version (as it was originally made).

Parent undertaking drawing up accounts for larger group

11.—(1) Where the company is a subsidiary undertaking, the following information shall 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
 - (b) the smallest such group of undertakings.
- (2) The name of the parent undertaking shall be stated.
- (3) There shall be stated—
- (a) if the undertaking is incorporated outside Northern Ireland, 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 shall also be stated the addresses from which copies of the accounts can be obtained.

Identification of ultimate parent company

12.—(1) Where the company is a subsidiary undertaking, the following information shall 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 shall be stated.
- (3) If known to the directors, there shall be stated, if that company is incorporated outside Northern Ireland, the country in which it is incorporated.
- (4) In this paragraph "company" includes any body corporate.

Constructions of references to shares held by company

- 13.**—(1) References in this Part to shares held by a company shall be construed as follows.
- (2) For the purposes of paragraphs 2 to 5 (information about subsidiary undertakings)—
 - (a) there shall 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 shall 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 7 to 9 (information about undertakings other than subsidiary undertakings)—
 - (a) there shall be attributed to the company shares held on its behalf by any person; but
 - (b) there shall 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 shall 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 II

COMPANIES REQUIRED TO PREPARE GROUP ACCOUNTS

Introductory

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

Subsidiary undertakings

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

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

(3) There shall be stated—

(a) if the undertaking is incorporated outside Northern Ireland, the country in which it is incorporated;

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

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

(5) It shall be stated with respect to each subsidiary undertaking by virtue of which of the conditions specified in Article 266(2) or (4) it is a subsidiary undertaking of its immediate parent undertaking.

That information need not be given if the relevant condition is that specified in paragraph (2)(a) of that Article (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

16.—(1) The following information shall 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 heads (a) and (b) shall (if different) be shown separately.

(2) There shall 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

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

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- (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 this Order to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Northern Ireland or elsewhere, and
 - (b) the holding of the group is less than 50 per cent. 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.

Further information about subsidiary undertakings excluded from consolidation

18.—(1) The following information shall be given with respect to subsidiary undertakings excluded from consolidation.

- (2) There shall be disclosed—
- (a) any qualifications contained in the auditors' reports on the accounts of the undertaking for financial years ending with or during the financial year of the company, and
 - (b) any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification,

in so far as the matter which is the subject of the qualification or note is not covered by the consolidated accounts and is material from the point of view of the members of the parent company.

(3) In so far as information required by this paragraph is not obtainable, a statement to that effect shall be given instead.

Financial years of subsidiary undertakings

19. Where the financial year of one or more subsidiary undertakings did not end with that of the company, there shall be stated in relation to each such undertaking—

- (a) the reasons why the company's directors consider that its financial year should not end with that of the company, and
- (b) the date on which its last financial year ended (last before the end of the company's financial year).

Instead of the dates required by sub-paragraph (b) being given for each subsidiary undertaking the earliest and latest of those dates may be given.

Shares and debentures of company held by subsidiary undertakings

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

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

(3) The exception for shares or debentures 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) Schedule 2 has effect for the interpretation of the reference in sub-paragraph (3) to a beneficial interest under a trust.

Joint ventures

21.—(1) The following information shall be given where an undertaking is dealt with in the consolidated accounts by the method of proportional consolidation in accordance with paragraph 19 of Schedule 4A (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 shall be stated the date on which a financial year of the undertaking last ended before that date.

Associated undertakings

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

- (2) The name of the associated undertaking shall be stated.
- (3) There shall be stated—
 - (a) if the undertaking is incorporated outside Northern Ireland, the country in which it is incorporated;
 - (b) if it is unincorporated, the address of its principal place of business.
- (4) The following information shall 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 heads (a) and (b) shall be shown separately.

- (5) There shall 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 20 of Schedule 4A; and the information required by this paragraph shall be given notwithstanding that paragraph 22(3) of that Schedule (materiality) applies in relation to the accounts themselves.

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Other significant holdings of parent company or group

23.—(1) The information required by paragraphs 24 and 25 shall 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 21 (joint ventures) or paragraph 22 (associated undertakings).

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

- (a) it amounts to 10 per cent. 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 one-tenth of the amount of its assets (as so stated).

24.—(1) The name of the undertaking shall be stated.

(2) There shall be stated—

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

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

(4) There shall 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.

25.—(1) Where the company has a significant holding in an undertaking amounting to 20 per cent. or more of the nominal value of the shares in the undertaking, there shall 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 this Order to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Northern Ireland or elsewhere, and
- (b) the company's holding is less than 50 per cent. 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.

26.—(1) The information required by paragraphs 27 and 28 shall 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 21 (joint ventures) or paragraph 22 (associated undertakings).

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

- (a) it amounts to 10 per cent. 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 one-tenth of the amount of the group's assets (as so stated).

27.—(1) The name of the undertaking shall be stated.

(2) There shall be stated—

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

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

(4) There shall 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.

28.—(1) Where the holding of the group amounts to 20 per cent. or more of the nominal value of the shares in the undertaking, there shall 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 this Order to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish that balance sheet in Northern Ireland or elsewhere, and
- (b) the holding of the group is less than 50 per cent. 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 parent company, that year, and
- (b) if not, its financial year ending last before the end of the parent company's financial year.

Arrangements attracting merger relief

29.—(1) This paragraph applies to arrangements attracting merger relief, that is, where a company allots shares in consideration for the issue, transfer or cancellation of shares in another body corporate (“the other company”) in circumstances such that Article 140 (share premium account) does not, by virtue of Article 141(2) (merger relief), apply to the premiums on the shares.

(2) If the parent company made such an arrangement during the financial year, the following information shall be given—

- (a) the name of the other company,
- (b) the number, nominal value and class of shares allotted,
- (c) the number, nominal value and class of shares in the other company issued, transferred or cancelled,
- (d) particulars of the accounting treatment adopted in the parent company's individual and group accounts in respect of the issue, transfer or cancellation, and

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- (e) particulars of the extent to which and manner in which the profit or loss for the financial year shown in the group accounts is affected by any profit or loss of the other company, or any of its subsidiary undertakings, which arose before the time of the arrangement.
- (3) Where the parent company made such an arrangement during the financial year, or during either of the two preceding financial years, and there is included in the consolidated profit and loss account—
- (a) any profit or loss realised during the financial year on the disposal of—
 - (i) any shares in the other company, or
 - (ii) any assets which were fixed assets of the other company or any of its subsidiary undertakings at the time of the arrangement, or
 - (b) any part of any profit or loss realised during the financial year on the disposal of any shares (other than shares in the other company) which was attributable to the fact that there were at the time of the disposal amongst the assets of the company which issued the shares, or any of its subsidiary undertakings, such shares or assets as are described in head (a),

then, the net amount of that profit or loss or, as the case may be, the part so attributable shall be shown, together with an explanation of the transactions to which the information relates.

- (4) For the purposes of this paragraph the time of the arrangement shall be taken to be—
- (a) where as a result of the arrangement the other company becomes a subsidiary undertaking of the company in question, the date on which it does so or, if the arrangement in question becomes binding only on the fulfilment of a condition, the date on which that condition is fulfilled;
 - (b) if the other company is already a subsidiary undertaking of that company, the date on which the shares are allotted or, if they are allotted on different days, the first day.

Parent undertaking drawing up accounts for larger group

30.—(1) Where the parent company is itself a subsidiary undertaking, the following information shall 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 shall be stated.
- (3) There shall be stated—
- (a) if the undertaking is incorporated outside Northern Ireland, 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 shall also be stated the addresses from which copies of the accounts can be obtained.

Identification of ultimate parent company

31.—(1) Where the parent company is itself a subsidiary undertaking, the following information shall 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 shall be stated.

(3) If known to the directors, there shall be stated, if that company is incorporated outside Northern Ireland, the country in which it is incorporated.

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

Construction of references to shares held by parent company or group

32.—(1) References in this Part to shares held by the parent company or the group shall be construed as follows.

(2) For the purposes of paragraphs 16, 22(4) and (5) and 23 to 25 (information about holdings in subsidiary and other undertakings)—

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

(4) Shares held by way of security shall 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.

SCHEDULE 4

Article 8(4).

DISCLOSURE OF INFORMATION: EMOLUMENTS
AND OTHER BENEFITS OF DIRECTORS AND OTHERS

1. Schedule 6 to the 1986 Order is amended as follows.
2. For the heading substitute—

*“DISCLOSURE OF INFORMATION: EMOLUMENTS
AND OTHER BENEFITS OF DIRECTORS AND OTHERS”.*

3. Insert the following provisions (which reproduce, with amendments, the former Part V of Schedule 5 to that Order) as Part I—

“PART I
CHAIRMAN'S AND DIRECTORS' EMOLUMENTS,
PENSIONS AND COMPENSATION FOR LOSS OF OFFICE

Aggregate amount of directors' emoluments

- 1.—(1) The aggregate amount of directors' emoluments shall be shown.
- (2) This means the emoluments paid to or receivable by any person in respect of—
 - (a) his services as a director of the company, or
 - (b) his services 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.
- (3) There shall also be shown, separately, the aggregate amount within sub-paragraph (2) (a) and (b)(i) and the aggregate amount within sub-paragraph (2)(b)(ii).
- (4) For the purposes of this paragraph the “emoluments” of a person include—
 - (a) fees and percentages,
 - (b) sums paid by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax),
 - (c) contributions paid in respect of him under any pension scheme, and
 - (d) the estimated money value of any other benefits received by him otherwise than in cash,

and emoluments in respect of a person's accepting office as director shall be treated as emoluments in respect of his services as director.

Details of chairman's and directors' emoluments

2. Where the company is a parent company or a subsidiary undertaking, or where the amount shown in compliance with paragraph 1(1) is £60,000 or more, the information required by paragraphs 3 to 6 shall be given with respect to the emoluments of the chairman and directors, and emoluments waived.

- 3.—(1) The emoluments of the chairman shall be shown.
- (2) The “chairman” means the person elected by the directors to be chairman of their meetings, and includes a person who, though not so elected, holds an office (however designated) which in accordance with the company's constitution carries with it functions substantially similar to those discharged by a person so elected.
- (3) Where there has been more than one chairman during the year, the emoluments of each shall be stated so far as attributable to the period during which he was chairman.
- (4) The emoluments of a person need not be shown if his duties as chairman were wholly or mainly discharged outside the United Kingdom.

4.—(1) The following information shall be given with respect to the emoluments of directors.

- (2) There shall be shown the number of directors whose emoluments fell within each of the following bands—

not more than £5,000,
more than £5,000 but not more than £10,000,
more than £10,000 but not more than £15,000,
and so on.

(3) If the emoluments of any of the directors exceeded that of the chairman, there shall be shown the greatest amount of emoluments of any director.

(4) Where more than one person has been chairman during the year, the reference in sub-paragraph (3) to the emoluments of the chairman is to the aggregate of the emoluments of each person who has been chairman, so far as attributable to the period during which he was chairman.

(5) The information required by sub-paragraph (2) need not be given in respect of a director who discharged his duties as such wholly or mainly outside the United Kingdom; and any such director shall be left out of account for the purposes of sub-paragraph (3).

5. In paragraphs 3 and 4 “emoluments” has the same meaning as in paragraph 1, except that it does not include contributions paid in respect of a person under a pension scheme.

Emoluments waived

6.—(1) There shall be shown—

- (a) the number of directors who have waived rights to receive emoluments which, but for the waiver, would have fallen to be included in the amount shown under paragraph 1(1), and
- (b) the aggregate amount of those emoluments.

(2) For the purposes of this paragraph it shall be assumed that a sum not receivable in respect of a period would have been paid at the time at which it was due, and if such a sum was payable only on demand, it shall be deemed to have been due at the time of the waiver.

Pensions of directors and past directors

7.—(1) There shall be shown the aggregate amount of directors' or past directors' pensions.

(2) This amount does not include any pension paid or receivable under a pension scheme if the scheme is such that the contributions under it are substantially adequate for the maintenance of the scheme; but, subject to this, it includes any pension paid or receivable in respect of any such services of a director or past director as are mentioned in paragraph 1(2), whether to or by him or, on his nomination or by virtue of dependence on or other connection with him, to or by any other person.

(3) The amount shown shall distinguish between pensions in respect of services as director, whether of the company or any of its subsidiary undertakings, and other pensions.

(4) References to pensions include benefits otherwise than in cash and in relation to so much of a pension as consists of such a benefit references to its amount are to the estimated money value of the benefit.

The nature of any such benefit shall also be disclosed.

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Compensation to directors for loss of office

8.—(1) There shall be shown the aggregate amount of any compensation to directors or past directors in respect of loss of office.

(2) This amount includes compensation received or receivable by a director or past director for—

- (a) loss of office as director of the company, or
- (b) loss, while director of the company or on or in connection with his ceasing to be a director of it, of—
 - (i) any other office in connection with the management of the company's affairs, or
 - (ii) any office as director or otherwise in connection with the management of the affairs of any subsidiary undertaking of the company;

and shall distinguish between compensation in respect of the office of director, whether of the company or any of its subsidiary undertakings, and compensation in respect of other offices.

(3) References to compensation include benefits otherwise than in cash; and in relation to such compensation references to its amount are to the estimated money value of the benefit.

The nature of any such compensation shall be disclosed.

(4) References to compensation for loss of office include compensation in consideration for, or in connection with, a person's retirement from office.

Sums paid to third parties in respect of directors' services

9.—(1) There shall 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) The reference to consideration includes benefits otherwise than in cash; and 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 shall be disclosed.

(3) The reference to third parties is to persons other than—

- (a) the director himself or a person connected with him or body corporate controlled by him, and
- (b) the company or any of its subsidiary undertakings.

Supplementary

10.—(1) The following applies with respect to the amounts to be shown under paragraphs 1, 7, 8 and 9.

(2) The amount in each case includes all relevant sums paid by or receivable from—

- (a) the company; and
- (b) the company's subsidiary undertakings; and
- (c) any other person,

except sums to be accounted for to the company or any of its subsidiary undertakings or, by virtue of Articles 322 and 323 (duty of directors to make disclosure on company takeover; consequence of non-compliance), to past or present members of the company or any of its subsidiaries or any class of those members.

(3) The amount to be shown under paragraph 8 shall distinguish between the sums respectively paid by or receivable from the company, the company's subsidiary undertakings and persons other than the company and its subsidiary undertakings.

(4) 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).

11.—(1) The amounts to be shown for any financial year under paragraphs 1, 7, 8 and 9 are the sums receivable in respect of that year (whenever paid) or, in the case of sums not receivable in respect of a period, the sums paid during that year.

(2) But where—

- (a) any 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 as mentioned in paragraph 10(2), but the liability is thereafter wholly or partly released or is not enforced within a period of 2 years; or
- (b) any sums paid by way of expenses allowance are charged to United Kingdom income tax after the end of the relevant financial year,

those sums shall, to the extent to which the liability is released or not enforced or they are charged as mentioned above (as the case may be), be shown in a note to the first accounts in which it is practicable to show them and shall be distinguished from the amounts to be shown apart from this provision.

12. Where it is necessary to do so for the purpose of making any distinction required by the preceding paragraphs in an amount to be shown in compliance with this Part, the directors may apportion any payments between the matters in respect of which these have been paid or are receivable in such manner as they think appropriate.

Interpretation

13.—(1) The following applies for the interpretation of this Part.

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

- (a) 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 (subject to the following head) that undertaking, whether or not it is or was in fact a subsidiary undertaking of the company, and
- (b) for the purposes of paragraphs 1 to 7 (including any provision of this Part referring to paragraph 1) is to an undertaking which is a subsidiary undertaking at the time the services were rendered, and for the purposes of paragraph 8 to a subsidiary undertaking immediately before the loss of office as director.

(3) The following definitions apply—

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- (a) “pension” includes any superannuation allowance, superannuation gratuity or similar payment,
 - (b) “pension scheme” means a scheme for the provision of pensions in respect of services as director or otherwise which is maintained in whole or in part by means of contributions, and
 - (c) “contribution”, in relation to a pension scheme, means any payment (including an insurance premium) paid for the purposes of the scheme by or in respect of persons rendering services in respect of which pensions will or may become payable under the scheme except that it does not include any payment in respect of two or more persons if the amount paid in respect of each of them is not ascertainable.
- (4) References in this Part to a person being “connected” with a director, and to a director “controlling” a body corporate, shall be construed in accordance with Article 354.

Supplementary

14. This Part 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.”.

4.—(1) For the heading to the present Part I substitute—
“PART II

LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS”.

(2) Paragraphs 1 to 3 and 5 to 14 of that Part shall be renumbered 15 to 27, and internal cross-references in that Part shall be renumbered accordingly.

(3) Paragraph 4 is omitted.

(4) In paragraph 1 (renumbered 15) for “Group accounts” substitute “The group accounts of a holding company, or if it is not required to prepare group accounts its individual accounts,”.

(5) For the heading before paragraph 11 (renumbered 24) substitute—

“Excluded transactions”

5. In paragraph 14 (renumbered 27), make the existing provision sub-paragraph (1) and after it insert—

“(2) In this Part “director” includes a shadow director.”.

6.—(1) For the heading to the present Part II substitute—
“PART III

OTHER TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS”.

(2) Paragraphs 15 to 17 of that Part shall be renumbered 28 to 30, and internal cross-references in that Part shall be renumbered accordingly.

(3) In paragraph 16 (renumbered 29), for “made as mentioned in Article 241(1)” substitute “made by the company or a subsidiary of it for persons who at any time during the financial year were officers of the company (but not directors or shadow directors)”.

7. Omit the present Part III (disclosure required in case of banking companies), the substance of which is reproduced in Part IV of Schedule 7.

SCHEDULE 5

Article 10(2).

MATTERS TO BE INCLUDED IN DIRECTORS' REPORT

1. Schedule 7 to the 1986 Order (matters to be included in directors' report) is amended as follows.

Subsidiary undertakings

2.—(1) In paragraph 1(1) (significant changes in fixed assets) for “subsidiaries” substitute “subsidiary undertakings”.

(2) In paragraph 6 (general information), for “subsidiaries” in each place where it occurs (three times) substitute “subsidiary undertakings”.

Directors' interests

3. For paragraph 2 (directors' interests) substitute—

“2.—(1) The information required by paragraphs 2A and 2B shall be given in the directors' report, or by way of notes to the company's annual accounts, with respect to each person who at the end of the financial year was a director of the company.

(2) In those paragraphs—

- (a) “the register” means the register of directors' interests kept by the company under Article 333; and
- (b) references to a body corporate being in the same group as the company are to its being a subsidiary or holding company, or another subsidiary of a holding company, of the company.

2A.—(1) It shall be stated with respect to each director whether, according to the register, he was at the end of the financial year interested in shares in or debentures of the company or any other body corporate in the same group.

(2) If he was so interested, there shall be stated the number of shares in and amount of debentures of each body (specifying it) in which, according to the register, he was then interested.

(3) If a director was interested at the end of the financial year in shares in or debentures of the company or any other body corporate in the same group—

- (a) it shall also be stated whether, according to the register, he was at the beginning of the financial year (or, if he was not then a director, when he became one) interested in shares in or debentures of the company or any other body corporate in the same group, and
- (b) if he was so interested, there shall be stated the number of shares in and amount of debentures of each body (specifying it) in which, according to the register, he was then interested.

(4) In this paragraph references to an interest in shares or debentures have the same meaning as in Article 332, and references to the interest of a director include any interest falling to be treated as his for the purposes of that Article.

(5) The reference above to the time when a person became a director is, in the case of a person who became a director on more than one occasion, to the time when he first became a director.

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2B.—(1) It shall be stated with respect to each director whether, according to the register, any right to subscribe for shares in or debentures of the company or another body corporate in the same group was during the financial year granted to, or exercised by, the director or a member of his immediate family.

(2) If any such right was granted to, or exercised by, any such person during the financial year, there shall be stated the number of shares in and amount of debentures of each body (specifying it) in respect of which, according to the register, the right was granted or exercised.

(3) A director’s “immediate family” means his or her spouse and infant children; and for this purpose “children” includes step-children.

(4) The reference above to a member of the director’s immediate family does not include a person who is himself or herself a director of the company.”.

SCHEDULE 6

Article 15(2).

[SCHEDULE 8 TO THE 1986 ORDER]EXEMPTIONS
FOR SMALL AND MEDIUM-SIZED COMPANIES

PART I

SMALL COMPANIES

Balance sheet

1.—(1) The company may deliver a copy of an abbreviated version of the full balance sheet, showing only those items to which a letter or Roman number is assigned in the balance sheet format adopted under Part I of Schedule 4, but in other respects corresponding to the full balance sheet.

(2) If a copy of an abbreviated balance sheet is delivered, there shall be disclosed in it or in a note to the company’s accounts delivered—

- (a) the aggregate of the amounts required by note (5) of the notes on the balance sheet formats set out in Part I of Schedule 4 to be shown separately for each item included under debtors (amounts falling due after one year), and
- (b) the aggregate of the amounts required by note (13) of those notes to be shown separately for each item included under creditors in Format 2 (amounts falling due within one year or after more than one year).

(3) The provisions of Article 241 as to the signing of the copy of the balance sheet delivered to the registrar apply to a copy of an abbreviated balance sheet delivered in accordance with this paragraph.

Profit and loss account

2. A copy of the company’s profit and loss account need not be delivered.

Disclosure of information in notes to accounts

3.—(1) Of the information required by Part III of Schedule 4 (information to be given in notes to accounts if not given in the accounts themselves) only the information required by the following provisions need be given—

- paragraph 36 (accounting policies),
- paragraph 38 (share capital),
- paragraph 39 (particulars of allotments),
- paragraph 42 (fixed assets), so far as it relates to those items to which a letter or Roman number is assigned in the balance sheet format adopted,
- paragraph 48(1) and (4) (particulars of debts),
- paragraph 58(1) (basis of conversion of foreign currency amounts into sterling),
- paragraph 58(2) (corresponding amounts for previous financial year), so far as it relates to amounts stated in a note to the company's accounts by virtue of a requirement of Schedule 4 or under any other provision of this Order.

(2) Of the information required by Schedule 5 to be given in notes to the accounts, the information required by the following provisions need not be given—

- paragraph 4 (financial years of subsidiary undertakings),
- paragraph 5 (additional information about subsidiary undertakings),
- paragraph 6 (shares and debentures of company held by subsidiary undertakings),
- paragraph 10 (arrangements attracting merger relief).

(3) Of the information required by Schedule 6 to be given in notes to the accounts, the information required by Part I (directors' and chairman's emoluments, pensions and compensation for loss of office) need not be given.

Directors' report

4. A copy of the directors' report need not be delivered.

PART II

MEDIUM-SIZED COMPANIES

Profit and loss account

5. The company may deliver a profit and loss account in which the following items listed in the profit and loss account formats set out in Part I of Schedule 4 are combined as one item under the heading "gross profit or loss"—

- Items 1, 2, 3 and 6 in Format 1;
- Items 1 to 5 in Format 2;
- Items A.1, B.1 and B.2 in Format 3;
- Items A.1, A.2 and B.1 to B.4 in Format 4.

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Disclosure of information in notes to accounts

6. The information required by paragraph 55 of Schedule 4 (particulars of turnover) need not be given.

PART III

SUPPLEMENTARY PROVISIONS

Statement that advantage taken of exemptions

7.—(1) Where the directors of a company take advantage of the exemptions conferred by Part I or Part II, the company's balance sheet shall contain—

- (a) a statement that advantage is taken of the exemptions conferred by Part I or, as the case may be, Part II, and
- (b) a statement of the grounds on which, in the directors' opinion, the company is entitled to those exemptions.

(2) The statements shall appear in the balance sheet immediately above the signature required by Article 241.

Special auditors' report

8.—(1) If the directors of a company propose to take advantage of the exemptions conferred by Part I or II, it is the auditors' duty to provide them with a report stating whether in their opinion the company is entitled to those exemptions and whether the documents to be proposed to be delivered in accordance with this Schedule are properly prepared.

(2) The accounts delivered shall be accompanied by a special report of the auditors stating that in their opinion—

- (a) the company is entitled to the exemptions claimed in the directors' statement, and
- (b) the accounts to be delivered are properly prepared in accordance with this Schedule.

(3) In such a case a copy of the auditors' report under Article 243 need not be delivered separately, but the full text of it shall be reproduced in the special report; and if the report under Article 243 is qualified there shall be included in the special report any further material necessary to understand the qualification.

(4) Article 244 (signature of auditors' report) applies to a special report under this paragraph as it applies to a report under Article 243.

Dormant companies

9. Paragraphs 7 and 8 do not apply where the company is exempt by virtue of Article 258 (dormant companies) from the obligation to appoint auditors.

Requirements in connection with publication of accounts

10.—(1) Where advantage is taken of the exemptions conferred by Part I or II, Article 248 (requirements in connection with publication of accounts) has effect with the following adaptations.

(2) Accounts delivered in accordance with this Schedule and accounts in the form in which they would be required to be delivered apart from this Schedule are both “statutory accounts” for the purposes of that Article.

(3) References in that Article to the auditors' report under Article 243 shall be read, in relation to accounts delivered in accordance with this Schedule, as references to the special report under paragraph 8.

SCHEDULE 7

Article 20(3) and (4).

SPECIAL PROVISIONS FOR BANKING AND INSURANCE COMPANIES AND GROUPS

Preliminary

Schedule 9 to the 1986 Order is amended in accordance with this Schedule, as follows—

- (a) for the heading of the Schedule substitute “SPECIAL PROVISIONS FOR BANKING AND INSURANCE COMPANIES AND GROUPS”;
- (b) omit the introductory paragraph preceding Part I, together with its heading;
- (c) make the present provisions of Parts I to V of the Schedule (as amended by Part I of this Schedule) Part I of the Schedule, and accordingly—
 - (i) for the descriptive Part heading before paragraph 2 substitute “FORM AND CONTENT OF ACCOUNTS”, and
 - (ii) omit the Part headings before paragraphs 19, 27, 31 and 32;
- (d) the provisions of Parts II, III and IV of this Schedule have effect as Parts II, III and IV of Schedule 9 to the 1986 Order.

PART I

FORM AND CONTENT OF ACCOUNTS

1. In paragraph 10(1)(c) of Schedule 9 to the 1986 Order (disclosure of outstanding loans in connection with certain cases of financial assistance for purchase of company’s own shares), after “163(4)(b)” insert “, (bb)”.

2. In paragraph 13 of that Schedule (information supplementing balance sheet), omit sub-paragraph (3) (information as to acquisition of, or creation of lien or charge over, company’s own shares).

3. In paragraph 17(5) of that Schedule (statement of turnover: companies exempt from requirement) for “neither a holding company nor a subsidiary of another body corporate” substitute “neither a parent company nor a subsidiary undertaking”.

4. After paragraph 18 of that Schedule insert—

“Supplementary provisions

18A.—(1) Accounting policies shall be applied consistently within the same accounts and from one financial year to the next.

(2) If it appears to the directors of a company that there are special reasons for departing from the principle stated in sub-paragraph (1) in preparing the company’s accounts in

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respect of any financial year, they may do so; but particulars of the departure, the reasons for it and its effect shall be given in a note to the accounts.

18B. It shall be stated whether the accounts have been prepared in accordance with applicable accounting standards, and particulars of any material departure from those standards and the reasons for it shall be given.

18C.—(1) In respect of every item shown in the balance sheet or profit and loss account, or stated in a note to the accounts, there shall be shown or stated the corresponding amount for the financial year immediately preceding that to which the accounts relate, subject to sub-paragraph (3).

(2) Where the corresponding amount is not comparable, it shall be adjusted and particulars of the adjustment and the reasons for it shall be given in a note to the accounts.

(3) Sub-paragraph (1) does not apply in relation to an amount shown—

- (a) as an amount the source or application of which is required by paragraph 8 (reserves and provisions),
- (b) in pursuance of paragraph 13(10) (acquisitions and disposals of fixed assets),
- (c) by virtue of paragraph 13 of Schedule 4A (details of accounting treatment of acquisitions),
- (d) by virtue of paragraph 2, 8(3), 16, 21(1)(d), 22(4) or (5), 24(3) or (4) or 27(3) or (4) of Schedule 5 (shareholdings in other undertakings), or
- (e) by virtue of Part II or III of Schedule 6 (loans and other dealings in favour of directors and others).”.

5.—(1) Before paragraph 19 of that Schedule insert the heading “Provisions where company is parent company or subsidiary undertaking”; and that paragraph is amended as follows.

(2) In sub-paragraph (1) for the words from “is a holding company” onwards substitute “is a parent company”.

(3) In sub-paragraph (2)—

- (a) for “subsidiaries” (four times) substitute “subsidiary undertakings”, and
- (b) in head (a), for “Part I” substitute “paragraphs 5, 6, 10, 13 and 14”.

(4) Omit sub-paragraphs (3) to (8).

6. For paragraph 20 of that Schedule substitute—

“20.—(1) This paragraph applies where the company is a subsidiary undertaking.

(2) The balance sheet of the company shall show—

- (a) the aggregate amount of its indebtedness to undertakings of which it is a subsidiary undertaking or which are fellow subsidiary undertakings, and
- (b) the aggregate amount of the indebtedness of all such undertakings to it,

distinguishing in each case between indebtedness in respect of debentures and otherwise.

(3) The balance sheet shall also show the aggregate amount of assets consisting of shares in fellow subsidiary undertakings.”.

7. Omit paragraphs 21 to 26 of that Schedule.

8.—(1) Before paragraph 27 of that Schedule insert the heading “Exceptions for certain companies”; and that paragraph is amended as follows.

- (2) In sub-paragraph (2)—
 - (a) for “Part I” substitute “paragraphs 2 to 18”, and
 - (b) in head (b) for the words from “paragraphs 15” to the end substitute “and paragraph 15”.
- (3) In sub-paragraph (4), omit “of Part I”.
9. In paragraph 28 of that Schedule, in sub-paragraphs (1) and (2) for “Part I” substitute “paragraphs 2 to 18”.
10. After that paragraph insert—

“28A. Where a company is entitled to, and has availed itself of, any of the provisions of paragraph 27 or 28, Article 243(2) only requires the auditors to state whether in their opinion the accounts have been properly prepared in accordance with this Order.”.
11. Omit paragraphs 29 to 31 of that Schedule.
12. Before paragraph 32 of that Schedule insert the heading “Interpretation”; and in sub-paragraphs (1) and (2) of that paragraph for “Schedule” substitute “Part”.

PART II

[PART II OF SCHEDULE 9 TO THE 1986 ORDER]ACCOUNTS OF BANKING OR INSURANCE GROUP

Undertakings to be included in consolidation

1. The following descriptions of undertaking shall not be excluded from consolidation under Article 237(4) (exclusion of undertakings whose activities are different from those of the undertakings consolidated)—
 - (a) in the case of a banking group, an undertaking (other than a credit institution) whose activities are a direct extension of or ancillary to banking business;
 - (b) in the case of an insurance group, an undertaking (other than one carrying on insurance business) whose activities are a direct extension of or ancillary to insurance business.

For the purposes of sub-paragraph (a) “banking” means the carrying on of a deposit-taking business within the meaning of the Banking Act 1987(1).

General application of provisions applicable to individual accounts

- 2.—(1) In paragraph 1 of Schedule 4A (application to group accounts of provisions applicable to individual accounts), the reference in sub-paragraph (1) to the provisions of Schedule 4 shall be construed as a reference to the provisions of Part I of this Schedule; and accordingly—
 - (a) the reference in sub-paragraph (2) to paragraph 59 of Schedule 4 shall be construed as a reference to paragraph 19(2) and 20 of Part I of this Schedule; and
 - (b) sub-paragraph (3) shall be omitted.
- (2) The general application of the provisions of Part I of this Schedule in place of those of Schedule 4 is subject to the following provisions.

(1) 1987 c. 22

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Treatment of goodwill

3.—(1) The rules in paragraph 21 of Schedule 4 relating to the treatment of goodwill, and the rules in paragraphs 17 to 19 of that Schedule (valuation of fixed assets) so far as they relate to goodwill, apply for the purpose of dealing with any goodwill arising on consolidation.

(2) Goodwill shall be shown as a separate item in the balance sheet under an appropriate heading; and this applies notwithstanding anything in paragraph 10(1)(b) or (2) of Part I of this Schedule (under which goodwill, patents and trade marks may be stated in the company's individual accounts as a single item).

Minority interests and associated undertakings

4. The information required by paragraphs 17 and 20 to 22 of Schedule 4A (minority interests and associated undertakings) to be shown under separate items in the formats set out in Part I of Schedule 4 shall be shown separately in the balance sheet and profit and loss account under appropriate headings.

Companies entitled to benefit of exemptions

5.—(1) Where a banking or insurance company is entitled to the exemptions conferred by paragraph 27 or 28 of Part I, a group headed by that company is similarly entitled.

(2) Paragraphs 27(4), 28(2) and 28A (accounts not to be taken to be other than true and fair; duty of auditors) apply accordingly where advantage is taken of those exemptions in relation to group accounts.

Information as to undertaking in which shares held as result of financial assistance operation

6.—(1) The following provisions apply where the parent company of a banking group has a subsidiary undertaking which—

- (a) is a credit institution of which shares are held as a result of a financial assistance operation with a view to its reorganisation or rescue, and
- (b) is excluded from consolidation under Article 237(3)(c) (interests held with a view to resale).

(2) Information as to the nature and terms of the operation shall be given in a note to the group accounts and there shall be appended to the copy of the group accounts delivered to the registrar in accordance with Article 250 a copy of the undertaking's latest individual accounts and, if it is a parent undertaking, its latest group accounts.

If the accounts appended are required by law to be audited, a copy of the auditors' report shall also be appended.

(3) If any document required to be appended is in a language other than English, the directors shall annex to the copy of that document delivered a translation of it into English, certified in the prescribed manner to be a correct translation.

(4) The above requirements are subject to the following qualifications—

- (a) an undertaking is not required to prepare for the purposes of this paragraph accounts which would not otherwise be prepared, and if no accounts satisfying the above requirements are prepared none need be appended;
- (b) the accounts of an undertaking need not be appended if they would not otherwise be required to be published, or made available for public inspection, anywhere in the world,

but in that case the reason for not appending the accounts shall be stated in a note to the consolidated accounts.

(5) Where a copy of an undertaking's accounts is required to be appended to the copy of the group accounts delivered to the registrar, that fact shall be stated in a note to the group accounts.

(6) Paragraphs (2) to (4) of Article 250 (penalties, &c. in case of default) apply in relation to the requirements of this paragraph as regards the delivery of documents to the registrar as they apply in relation to the requirements of paragraph (1) of that Article.

PART III

[PART III OF SCHEDULE 9 TO THE 1986 ORDER] ADDITIONAL DISCLOSURE: RELATED UNDERTAKINGS

1. Where accounts are prepared in accordance with the special provisions of this Part relating to banking companies or groups, there shall be disregarded for the purposes of—

- (a) paragraphs 7(2)(a), 23(2)(a) and 26(2)(a) of Schedule 5 (information about significant holdings in undertakings other than subsidiary undertakings: definition of 10 per cent. holding), and
- (b) paragraphs 9(1), 25(1) and 28(1) of that Schedule (additional information in case of 20 per cent. holding),

any holding of shares not comprised in the equity share capital of the undertaking in question.

PART IV

[PART IV OF SCHEDULE 9 TO THE 1986 ORDER] ADDITIONAL DISCLOSURE: EMOLUMENTS AND OTHER BENEFITS OF DIRECTORS AND OTHERS

1. The provisions of this Part have effect with respect to the application of Schedule 6 (additional disclosure: emoluments and other benefits of directors and others) to a banking company or the holding company of such a company.

Loans, quasi-loans and other dealings

2. Part II of Schedule 6 (loans, quasi-loans and other dealings) does not apply for the purposes of accounts prepared by a banking company, or a company which is the holding company of a banking company, in relation to a transaction or arrangement of a kind mentioned in Article 338, or an agreement to enter into such a transaction or arrangement, to which that banking company is a party.

Other transactions, arrangements and agreements

3.—(1) Part III of Schedule 6 (other transactions, arrangements and agreements) applies for the purposes of accounts prepared by a banking company, or a company which is the holding company of a banking company, only in relation to a transaction, arrangement or agreement made by that banking company for—

- (a) a person who was a director of the company preparing the accounts, or who was connected with such a director, or

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- (b) a person who was a chief executive or manager (within the meaning of the Banking Act 1987(2)) of that company or its holding company.
- (2) References in that Part to officers of the company shall be construed accordingly as including references to such persons.
- (3) In this paragraph “director” includes a shadow director.
- (4) For the purposes of that Part as it applies by virtue of this paragraph, a company which a person does not control shall not be treated as connected with him.
- (5) Article 354 applies for the purposes of this paragraph as regards the interpretation of references to a person being connected with a director or controlling a company.

SCHEDULE 8

Article 20(5).

[SCHEDULE 10 TO THE 1986 ORDER]DIRECTORS' REPORT WHERE ACCOUNTS PREPARED IN ACCORDANCE WITH SPECIAL PROVISIONS FOR BANKING OR INSURANCE COMPANIES OR GROUPS

Recent issues

- 1.—(1) This paragraph applies where a company prepares individual accounts in accordance with the special provisions of Part VIII of this Order relating to banking or insurance companies.
- (2) If in the financial year to which the accounts relate the company has issued any shares or debentures, the directors' report shall state the reason for making the issue, the classes of shares or debentures issued and, as respects each class, the number of shares or amount of debentures issued and the consideration received by the company for the issue.

Turnover and profitability

- 2.—(1) This paragraph applies where a company prepares group accounts in accordance with the special provisions of Part VIII of this Order relating to banking or insurance groups.
- (2) If in the course of the financial year to which the accounts relate the group carried on business of two or more classes (other than banking or discounting or a class prescribed for the purposes of paragraph 17(2) of Part I of Schedule 9) that in the opinion of the directors differ substantially from each other, there shall be contained in the directors' report a statement of—
 - (a) the proportions in which the turnover for the financial year (so far as stated in the consolidated accounts) is divided amongst those classes (describing them), and
 - (b) as regards business of each class, the extent or approximate extent (expressed in money terms) to which, in the opinion of the directors, the carrying on of business of that class contributed to or restricted the profit or loss of the group for that year (before taxation).
- (3) In sub-paragraph (2) “the group” means the undertakings included in the consolidation.
- (4) For the purposes of this paragraph classes of business which in the opinion of the directors do not differ substantially from each other shall be treated as one class.

(2) 1987 c. 22

Labour force and wages paid

3.—(1) This paragraph applies where a company prepares individual or group accounts in accordance with the special provisions of Part VIII of this Order relating to banking or insurance companies or groups.

(2) There shall be stated in the directors' report—

- (a) the average number of persons employed by the company or, if the company prepares group accounts, by the company and its subsidiary undertakings, and
- (b) the aggregate amount of the remuneration paid or payable to persons so employed.

(3) The average number of persons employed shall be determined by adding together the number of persons employed (whether throughout the week or not) in each week of the financial year and dividing that total by the number of weeks in the financial year.

(4) The aggregate amount of the remuneration paid or payable means the total amount of remuneration paid or payable in respect of the financial year; and for this purpose remuneration means gross remuneration and includes bonuses, whether payable under contract or not.

(5) The information required by this paragraph need not be given if the average number of persons employed is less than 100.

(6) No account shall be taken for the purposes of this paragraph of persons who worked wholly or mainly outside the United Kingdom.

(7) This paragraph does not apply to a company which is a wholly-owned subsidiary of a company incorporated in Northern Ireland.

SCHEDULE 9

Article 23(2).

[SCHEDULE 10A TO THE 1986 ORDER] PARENT AND
SUBSIDIARY UNDERTAKINGS: SUPPLEMENTARY PROVISIONS

Introduction

1. The provisions of this Schedule explain expressions used in Article 266 (parent and subsidiary undertakings) and otherwise supplement that Article.

Voting rights in an undertaking

2.—(1) In Article 266(2)(a) and (d) the references to the voting rights in an undertaking are to 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.

(2) In relation to an undertaking which does not have general meetings at which matters are decided by the exercise of voting rights, the references to holding a majority of the voting rights in the undertaking shall be construed as references to having the right under the constitution of the undertaking to direct the overall policy of the undertaking or to alter the terms of its constitution.

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Right to appoint or remove a majority of the directors

3.—(1) In Article 266(2)(b) the reference to the right to appoint or remove a majority of the board of directors is to the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on all, or substantially all, matters.

(2) An undertaking shall be treated as having the right to appoint to a directorship if—

- (a) a person's appointment to it follows necessarily from his appointment as director of the undertaking, or
- (b) the directorship is held by the undertaking itself.

(3) A right to appoint or remove which is exercisable only with the consent or concurrence of another person shall be left out of account unless no other person has a right to appoint or, as the case may be, remove in relation to that directorship.

Right to exercise dominant influence

4.—(1) For the purposes of Article 266(2)(c) an undertaking shall not be regarded as having the right to exercise a dominant influence over another undertaking unless it has a right to give directions with respect to the operating and financial policies of that other undertaking which its directors are obliged to comply with whether or not they are for the benefit of that other undertaking.

(2) A “control contract” means a contract in writing conferring such a right which—

- (a) is of a kind authorised by the memorandum or articles of the undertaking in relation to which the right is exercisable, and
- (b) is permitted by the law under which that undertaking is established.

(3) This paragraph shall not be read as affecting the construction of the expression “actually exercises a dominant influence” in Article 266(4)(a).

Rights exercisable only in certain circumstances or temporarily incapable of exercise

5.—(1) Rights which are exercisable only in certain circumstances shall be taken into account only—

- (a) when the circumstances have arisen, and for so long as they continue to obtain, or
- (b) when the circumstances are within the control of the person having the rights.

(2) Rights which are normally exercisable but are temporarily incapable of exercise shall continue to be taken into account.

Rights held by one person on behalf of another

6. Rights held by a person in a fiduciary capacity shall be treated as not held by him.

7.—(1) Rights held by a person as nominee for another shall be treated as held by the other.

(2) Rights shall be regarded as held as nominee for another if they are exercisable only on his instructions or with his consent or concurrence.

Rights attached to shares held by way of security

8. Rights attached to shares held by way of security shall 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 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 are exercisable only in his interests.

Rights attributed to parent undertaking

9.—(1) Rights shall be treated as held by a parent undertaking if they are held by any of its subsidiary undertakings.

(2) Nothing in paragraph 7 or 8 shall be construed as requiring rights held by a parent undertaking to be treated as held by any of its subsidiary undertakings.

(3) For the purposes of paragraph 8 rights shall be treated as being exercisable in accordance with the instructions or in the interests of an undertaking if they are exercisable in accordance with the instructions of or, as the case may be, in the interests of any group undertaking.

Disregard of certain rights

10. The voting rights in an undertaking shall be reduced by any rights held by the undertaking itself.

Supplementary

11. References in any provision of paragraphs 6 to 10 to rights held by a person include rights falling to be treated as held by him by virtue of any other provision of those paragraphs but not rights which by virtue of any such provision are to be treated as not held by him.

SCHEDULE 10

Article 25.

AMENDMENTS CONSEQUENTIAL ON PART II

PART I

AMENDMENTS OF THE 1986 ORDER

1. In Article 2(3) (interpretation), omit the definition of “authorised institution” and at the appropriate place insert—

““banking company” means a company which is authorised under the Banking Act 1987,”.

2. For Article 10 (expressions used in connection with accounts) substitute—

“Expressions used in connection with accounts

10.—(1) In this Order the following expressions have the same meaning as in Part VIII (accounts)—

“annual accounts”,

“accounting reference date” and “accounting reference period”,

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“balance sheet” and “balance sheet date”,
“current assets”,
“financial year”, in relation to a company,
“fixed assets”,
“parent company” and “parent undertaking”,
“profit and loss account”, and
“subsidiary undertaking”.

(2) References in this Order to “realised profits” and “realised losses”, in relation to a company’s accounts, shall be construed in accordance with Article 270(3).”.

3. In Article 56 (meaning of “unqualified” auditors’ report in Article 53(3)), for paragraphs (2) to (6) substitute—

“(2) If the balance sheet was prepared for a financial year of the company, the reference is to an auditors’ report stating without material qualification the auditors’ opinion that the balance sheet has been properly prepared in accordance with this Order.

(3) If the balance sheet was not prepared for a financial year of the company, the reference is to an auditors’ report stating without material qualification the auditors’ opinion that the balance sheet has been properly prepared in accordance with the provisions of this Order which would have applied if it had been so prepared.

For the purposes of an auditors’ report under this paragraph the provisions of this Order shall be deemed to apply with such modifications as are necessary by reason of the fact that the balance sheet is not prepared for a financial year of the company.

(4) A qualification shall be regarded as material unless the auditors state in their report that the matter giving rise to the qualification is not material for the purpose of determining (by reference to the company’s balance sheet) whether at the balance sheet date the amount of the company’s net assets was not less than the aggregate of its called up share capital and undistributable reserves.

In this paragraph “net assets” and “undistributable reserves” have the meaning given by Article 272(2) and (3).”.

4. In Article 217(5)(a)(i) for “an authorised institution” substitute “a banking company”.

5. In Articles 219(9) and 223(4) for “paragraph 3 or 10 of Schedule 5” substitute “Article 239(3)”.

6. In Article 279(3), for “Article 244” substitute “Article 243”.

7. In Article 280(3)—

(a) for “Article 236” substitute “Article 234”, and

(b) for “Article 246” substitute “Article 241”.

8. In Articles 280(5) and 281(7) for “Article 249(3)(b)” substitute “the second sentence of Article 250(1)”.

9. In Article 284(b) for “34(4)(b)” substitute “34(3)(a)”.

10. For Article 287 substitute—

“Distributions by banking or insurance companies

287. Where a company’s accounts relevant for the purposes of this Part are prepared in accordance with the special provisions of Part VIII relating to banking or insurance companies, Articles 272 to 283 apply with the modifications shown in Schedule 11.”.

11. In Article 297(4) for “Article 260(5)” substitute “Article 258(3)”.

12. In Article 305(3)(b)—

(a) in head (i) for “Article 252” substitute “Article 250(3)”, and

(b) after that head insert—

“(ia) Article 253B, or”.

13. In Articles 346(4), 347(4), 351(1)(a) and 352(2) for “an authorised institution”, wherever occurring, substitute “a banking company”.

14. In Article 351(2) and (4) for “paragraph 4 of Schedule 6, be required by Article 240” substitute “paragraph 2 of Part IV of Schedule 9, be required”.

15. After Article 387 insert—

“Elective resolution of private company

387A.—(1) An election by a private company for the purposes of Article 260 (election to dispense with laying of accounts and reports before general meeting) shall be made by resolution of the company in general meeting in accordance with this Article.

Such a resolution is referred to in this Order as an “elective resolution”.

(2) An elective resolution is not effective unless—

(a) at least 21 days' notice in writing is given of the meeting, stating that an elective resolution is to be proposed and stating the terms of the resolution, and

(b) the resolution is agreed to at the meeting, in person or by proxy, by all the members entitled to attend and vote at the meeting.

(3) The company may revoke an elective resolution by passing an ordinary resolution to that effect.

(4) An elective resolution shall cease to have effect if the company is re-registered as a public company.

(5) An elective resolution may be passed or revoked in accordance with this Article, and the provision referred to in paragraph (1) has effect, notwithstanding any contrary provision in the company's articles of association.”.

16. In Article 388 (registration of resolutions), in paragraph (4) (resolutions to which the Article applies), after sub-paragraph (b) insert—

“(bb) an elective resolution or a resolution revoking such a resolution.”.

17. In Article 428(2)—

(a) in sub-paragraph (a) for “Article 240 and Part I of Schedule 6” substitute “Part II of Schedule 6, or that Part as applied by Part IV of Schedule 9”;

(b) omit sub-paragraph (b).

18. In Part XXIII (Part XXIII companies), for Chapter II (delivery of accounts) substitute—

“CHAPTER II

DELIVERY OF ACCOUNTS AND REPORTS

Preparation of accounts and reports by Part XXIII companies

649.—(1) Every Part XXIII company shall in respect of each financial year of the company prepare the like accounts and directors' report, and cause to be prepared such an

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auditors' report, as would be required if the company were formed and registered under this Order.

(2) The Department may by order—

(a) modify the requirements referred to in paragraph (1) for the purpose of their application to Part XXIII companies;

(b) exempt a Part XXIII company from those requirements or from such of them as may be specified in the order.

(3) An order may contain such incidental and supplementary provisions as the Department thinks fit.

(4) An order under this Article shall be subject to negative resolution.

Part XXIII company's financial year and accounting reference periods

650.—(1) Articles 231 to 233 (financial year and accounting reference periods) apply to a Part XXIII company, subject to the following modifications.

(2) For the references to the incorporation of the company substitute references to the company establishing a place of business in Northern Ireland.

(3) Omit Article 233(4) (restriction on frequency with which current accounting reference period may be extended).

Delivery to registrar of accounts and reports of Part XXIII company

651.—(1) A Part XXIII company shall in respect of each financial year of the company deliver to the registrar copies of the accounts and reports prepared in accordance with Article 649.

If any document comprised in those accounts or reports is in a language other than English, the directors shall annex to the copy delivered a translation of it into English, certified in the prescribed manner to be a correct translation.

(2) In relation to a Part XXIII company the period allowed for delivering accounts and reports is 13 months after the end of the relevant accounting reference period.

This is subject to the following provisions of this Article.

(3) If the relevant accounting reference period is the company's first and is a period of more than 12 months, the period allowed is 13 months from the first anniversary of the company's establishing a place of business in Northern Ireland.

(4) If the relevant accounting period is treated as shortened by virtue of a notice given by the company under Article 233 (alteration of accounting reference date), the period allowed is that applicable in accordance with the above provisions or 3 months from the date of the notice under that Article, whichever last expires.

(5) If for any special reason the Department thinks fit it may, on an application made before the expiry of the period otherwise allowed, by notice in writing to a Part XXIII company extend that period by such further period as may be specified in the notice.

(6) In this Article "the relevant accounting reference period" means the accounting reference period by reference to which the financial year for the accounts in question was determined.

Penalty for non-compliance

652.—(1) If the requirements of Article 651(1) are not complied with before the end of the period allowed for delivering accounts and reports, or if the accounts and reports delivered do not comply with the requirements of this Order, the company and every person who immediately before the end of that period was a director of the company is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.

(2) It is a defence for a person charged with such an offence to prove that he took all reasonable steps for securing that the requirements in question would be complied with.

(3) It is not a defence in relation to a failure to deliver copies to the registrar to prove that the documents in question were not in fact prepared as required by this Order.”.

19. In Article 660(1)(k) for “Article 249 (annual accounts)” substitute “Article 250(1) (accounts and reports)”.

20. In Schedule 1, in paragraph 2(2)(a) for “Article 260(5)” substitute “Article 258(3)”.

21.—(1) Schedule 2 (interpretation of references to “beneficial interest”) is amended as follows.

(2) After the heading at the beginning of the Schedule, and before the cross-heading preceding paragraph 1, insert the following heading—
“PART I

REFERENCES IN ARTICLES 33, 155, 156 AND 158”.

(3) In paragraph 1—

- (a) in sub-paragraph (1) omit “paragraph 60(2) of Schedule 4, or paragraph 19(3) of Schedule 9”; and
- (b) omit sub-paragraph (5).

(4) In paragraph 3—

- (a) in sub-paragraph (1) omit “, paragraph 60(2) of Schedule 4 or paragraph 19(3) of Schedule 9”; and
- (b) omit sub-paragraph (3).

(5) In paragraph 4—

- (a) in sub-paragraph (1) omit “(whether as personal representative or otherwise)”, and
- (b) in sub-paragraph (2) omit “, paragraph 60(2) of Schedule 4 and paragraph 19(3) of Schedule 9”;

and at the end add—

“(3) As respects Articles 155, 156 and 158, sub-paragraph (1) applies where a company is a personal representative as it applies where a company is a trustee.”.

(6) In paragraph 5(1) for “this Schedule” substitute “this Part of this Schedule”.

(7) After paragraph 5 insert the following—

“PART II REFERENCES IN SCHEDULE 5

Residual interests under pension and employees' share schemes

6.—(1) Where shares in an undertaking are held on trust for the purposes of a pension scheme or an employees' share scheme, there shall be disregarded any residual interest which has not vested in possession, being an interest of the undertaking or any of its subsidiary undertakings.

(2) In this paragraph a “residual interest” means a right of the undertaking in question (the “residual beneficiary”) 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) 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 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 that beneficiary any of the property receivable pursuant to that right.

Employer's charges and other rights of recovery

7.—(1) Where shares in an undertaking are held on trust, there shall 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 head (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, and
- (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 Article 48 of the Social Security Pensions (Northern Ireland) Order 1975⁽³⁾ (deduction of premium from refund of pension contributions) or otherwise as reimbursement or partial

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reimbursement for any state scheme premium paid in connection with the scheme under Part IV of that Order.

Trustee's right to expenses, remuneration, indemnity, &c.

8. Where an undertaking is a trustee, there shall be disregarded any rights which the undertaking has in its capacity as trustee including, in particular, any right to recover its expenses or be remunerated out of the trust property and 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.

Supplementary

9.—(1) The following applies for the interpretation of this Part of this Schedule.

(2) “Undertaking”, and “shares” in relation to an undertaking, have the same meaning as in Part VIII of this Order.

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

(4) “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; and “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.

(5) In sub-paragraph (4) and in paragraph 7(2) “employee” and “employer” shall be read as if a director of an undertaking were employed by it.”.

22.—(1) Part II of Schedule 3 (prospectuses: auditors' and accountants' reports to be set out) is amended as follows.

(2) In paragraph 16 (auditors' reports), in sub-paragraph (2) for “subsidiaries” substitute “subsidiary undertakings” and for sub-paragraph (3) substitute—

“(3) If the company has subsidiary undertakings, the report shall—

(a) deal separately with the company's profits and losses as provided by sub-paragraph (2), and in addition deal either—

(i) as a whole with the combined profits or losses of its subsidiary undertakings, so far as they concern members of the company, or

(ii) individually with the profits or losses of each of its subsidiary undertakings, so far as they concern members of the company,

or, instead of dealing separately with the company's profits or losses, deal as a whole with the profits or losses of the company and (so far as they concern members of the company) with the combined profits and losses of its subsidiary undertakings; and

(b) deal separately with the company's assets and liabilities as provided by sub-paragraph (2), and in addition deal either—

(i) as a whole with the combined assets and liabilities of its subsidiary undertakings, with or without the company's assets and liabilities, or

(ii) individually with the assets and liabilities of each of its subsidiary undertakings,

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indicating, as respects the assets and liabilities of its subsidiary undertakings, the allowance to be made for persons other than members of the company.”.

(3) For paragraph 18 (accountants' reports) substitute—

“**18.**—(1) The following provisions apply if—

- (a) the proceeds of the issue are to be applied directly or indirectly in any manner resulting in the acquisition by the company of shares in any other undertaking, or any part of the proceeds is to be so applied, and
- (b) by reason of that acquisition or anything to be done in consequence of or in connection with it, that undertaking will become a subsidiary undertaking of the company.

(2) There shall be set out in the prospectus a report made by accountants upon—

- (a) the profits or losses of the other undertaking in respect of each of the 5 financial years immediately preceding the issue of the prospectus, and
- (b) the assets and liabilities of the other undertaking at the last date to which its accounts were made up.

(3) The report shall—

- (a) indicate how the profits or losses of the other undertaking would in respect of the shares to be acquired have concerned members of the company and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with, for holders of other shares, if the company had at all material times held the shares to be acquired, and
- (b) where the other undertaking is a parent undertaking, deal with the profits or losses and the assets and liabilities of the undertaking and its subsidiary undertakings in the manner provided by paragraph 16(3) in relation to the company and its subsidiary undertakings.

(4) In this paragraph “undertaking” and “shares”, in relation to an undertaking, have the same meaning as in Part VIII of this Order.”.

(4) In paragraph 22 (eligibility of accountants to make reports), for sub-paragraph (2) substitute—

“(2) Such a report shall not be made by an accountant who is an officer or servant, or a partner of or in the employment of an officer or servant, of—

- (a) the company or any of its subsidiary undertakings,
- (b) a parent undertaking of the company or any subsidiary undertaking of such an undertaking.”.

23. In paragraph 12(b) of Schedule 4, for “Article 246” substitute “Article 241”.

24.—(1) Schedule 11 is amended as follows.

(2) For the heading substitute “MODIFICATIONS OF PART IX WHERE COMPANY'S ACCOUNTS PREPARED IN ACCORDANCE WITH SPECIAL PROVISIONS FOR BANKING OR INSURANCE COMPANIES”.

(3) In paragraphs 1 and 2(a) for “Schedule 9” substitute “Part I of Schedule 9”.

(4) In paragraph 4—

- (a) in sub-paragraph (a) for “Schedule 9” substitute “Part I of Schedule 9”, and
- (b) omit sub-paragraphs (b) and (c).

(5) In paragraph 5—

- (a) in sub-paragraph (a) for “Part III of Schedule 9” substitute “paragraph 27 or 28 of Schedule 9”, and
- (b) omit sub-paragraph (b).
- (6) In paragraph 6—
 - (a) in sub-paragraph (a), for “Article 236” substitute “Article 234” and for “Article 266 and Schedule 9” substitute “Article 263 and Part I of Schedule 9”, and
 - (b) in sub-paragraph (b), for “Part III of Schedule 9” substitute “paragraph 27 or 28 of Schedule 9”.
- (7) In paragraph 7(a) for “Schedule 9” substitute “Part I of Schedule 9”.

25.—(1) In Schedule 15A (provisions applicable to mergers and divisions of public companies), paragraph 6 (documents to be made available for inspection) is amended as follows.

(2) In sub-paragraph (1)(b) (directors' report on merger or division), after “directors' report” insert “referred to in paragraph 4”.

(3) For sub-paragraph (1)(d) and (e) substitute—

- “(d) the company’s annual accounts, together with the relevant directors' report and auditors' report, for the last 3 financial years ending on or before the relevant date; and
- (e) if the last of those financial years ended more than 6 months before the relevant date, an accounting statement in the form described in the following provisions.”.

(4) In sub-paragraph (1), after the heads add—

“In heads (d) and (e) “the relevant date” means one month before the first meeting of the company summoned under Article 418(1) or for the purposes of paragraph 1.”.

(5) For sub-paragraphs (2) to (5) substitute—

“(2) The accounting statement shall consist of—

- (a) a balance sheet dealing with the state of the affairs of the company as at a date not more than 3 months before the draft terms were adopted by the directors, and
- (b) where the company would be required to prepare group accounts if that date were the last day of a financial year, a consolidated balance sheet dealing with the state of affairs of the company and its subsidiary undertakings as at that date.

(3) The requirements of this Order as to balance sheets forming part of a company’s annual accounts, and the matters to be included in notes thereto, apply to any balance sheet required for the accounting statement, with such modifications as are necessary by reason of its being prepared otherwise than as at the last day of a financial year.

(4) Any balance sheet required for the accounting statement shall be approved by the board of directors and signed on behalf of the board by a director of the company.

(5) In relation to a company within the meaning of section 735 of the Companies Act 1985(4), the references in this paragraph to the requirements of this Order shall be construed as references to the corresponding requirements of that Act.”.

26. In Schedule 21 (provisions applying to unregistered companies), in the entry relating to Part VIII, in column 1, for “Schedule 10” substitute “Schedules 10 and 10A”.

27.—(1) Schedule 23 (punishment of offences) is amended as follows.

(2) The existing entries for provisions in Part VIII are amended as follows, and shall be re-ordered according to the new order of the Articles in that Part:

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Provision of Part VIII	Amendment
231(1)	In column 1, for “231(1)” substitute “229(5) or 230(4)”.
231(2)	In column 1, for “231(2)” substitute “230(6)”.In column 2, for “230(4)” substitute “230(5)”.
239(3)	In column 1, for “239(3)” substitute “239(7)”.
239(4)	In column 1, for “239(4)” substitute “240(4)”.In column 2, for “Schedule 5, Part V” substitute “Schedule 6, Part I”.
243(7)	In column 1, for “243(7)” substitute “242(5)”.In column 2, for “the Article” substitute “Part VIII”.
246(2)	In column 1, for “246(2)” substitute “241(6)”.
248(5)	In column 1, for “248(5)” substitute “246(5)”.In column 2, for “company balance sheet” substitute “company’s annual accounts”.
251(1)	In column 1, for “251(1)” substitute “249(2) or 250(2)”.In column 2, for “company accounts” substitute “company’s annual accounts, directors' report and auditors' report”.
253(1)	Omit the entry.
253(2)	Omit the entry.
254(2)	In column 1, for “254(2)” substitute “247(3)”.In column 2, after “accounts” insert “and reports”.
262(6)	In column 1, for “262(6)” substitute “248(6)”.In column 2, for the present words substitute “Failure to comply with requirements in connection with publication of accounts”.
263(5)	Omit the entry.
268(3)	Omit the entry.

(3) At the appropriate places insert the following new entries—

“241(5)	Approving defective accounts.	1. On indictment. 2. Summary.	A fine The statutory maximum.
242A(4)	Laying, circulating or delivering directors' report without required signature.	Summary	One-fifth of the statutory maximum.
244(4)	Laying, circulating or delivering auditors'	Summary	One-fifth of the statutory maximum.

259(5)	report without required signature.	Summary	One-fifth of the statutory maximum.”
	Failure to comply with requirements in relation to summary financial statements.		

(4) In the entry for Article 652(1) (failure by Part XXIII company to comply with requirements as to accounts and reports), in column 2 for the words from “Article 649” to the end substitute “requirements as to accounts and reports”.

PART II

AMENDMENTS OF OTHER STATUTORY PROVISIONS

The Patents, Designs and Marks Act 1986 (c. 39)

28. In Schedule 2 in paragraph 1(2) (provisions in which reference to trade mark includes service mark) for sub-paragraph (l) substitute—

- “(l) in the Companies (Northern Ireland) Order 1986—
 - (i) paragraph (1)(j) of Article 403 (charges which have to be registered); and
 - (ii) Part I of Schedule 4 and paragraphs 5(2)(d) and 10(1)(b) and (2) of Schedule 9 (form of company balance sheets).”.

The Banking Act 1987 (c. 22)

29. In section 46(4) (duties of auditor of authorised institution) for “Articles 392, 244 and 245” substitute “Articles 392, 243(2), 243(3) and 245”.

The Income and Corporation Taxes Act 1988 (c. 1)

30.—(1) In section 180 (annual return of registered profit-related pay scheme) in subsection (3) for “Article 250(3)” substitute “Article 252(3)”.

(2) In section 565(7) (conditions for exemption from provisions relating to sub-contractors in construction industry: compliance with requirements of 1986 Order), for paragraph (a) substitute—

- “(a) Articles 234, 249 and 250 (contents, laying and delivery of annual accounts);”.

The Companies (Northern Ireland) Order 1989 (NI 18)

31.—(1) In Article 6(3)(b) (default orders)—

- (a) in head (i) for “Article 252” substitute “Article 250(3)”;
- (b) after that head insert—
 - “(ia) Article 253B of that Order (order requiring preparation of revised accounts),”.

(2) In Schedule 1 for paragraph 5 substitute—

“**5.** The extent of the director’s responsibility for any failure by the directors of the company to comply with—

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- (a) Article 234 or 235 of the Companies Order (duty to prepare annual accounts); or
- (b) Article 241 of that Order (approval and signature of accounts).”.

SCHEDULE 11

Article 33(5)

RECOGNITION OF SUPERVISORY BODY

PART I

GRANT AND REVOCATION OF RECOGNITION

Application for recognition of supervisory body

1.—(1) A supervisory body may apply to the Department for an order declaring it to be a recognised supervisory body for the purposes of Part III of this Order.

(2) Any such application—

- (a) shall be made in such manner as the Department may direct, and
- (b) shall be accompanied by such information as the Department may reasonably require for the purpose of determining the application.

(3) At any time after receiving an application and before determining it the Department may require the applicant to furnish additional information.

(4) The directions and requirements given or imposed under sub-paragraphs (2) and (3) may differ as between different applications.

(5) Any information to be furnished to the Department under this paragraph shall, if it so requires, be in such form or verified in such manner as it may specify.

(6) Every application shall be accompanied by a copy of the applicant’s rules and of any guidance issued by the applicant which is intended to have continuing effect and is issued in writing or other legible form.

Grant and refusal of recognition

2.—(1) The Department may, on an application duly made in accordance with paragraph 1 and after being furnished with all such information as it may require under that paragraph, make or refuse to make an order (a “recognition order”) declaring the applicant to be a recognised supervisory body for the purposes of Part III of this Order.

(2) The Department shall not make a recognition order unless it appears to it, from the information furnished by the body and having regard to any other information in its possession, that the requirements of Part II of this Schedule are satisfied as respects that body.

(3) The Department may refuse to make a recognition order in respect of a body if it considers that its recognition is unnecessary having regard to the existence of one or more other bodies which maintain and enforce rules as to the appointment and conduct of company auditors and which have been or are likely to be recognised.

(4) Where the Department refuses an application for a recognition order it shall give the applicant a written notice to that effect specifying which requirements in the opinion of the Department are not satisfied or stating that the application is refused on the ground mentioned in sub-paragraph (3).

- (5) A recognition order shall state the date on which it takes effect.

Revocation of recognition

3.—(1) A recognition order may be revoked by a further order made by the Department if at any time it appears to it—

- (a) that any requirement of Part II of this Schedule is not satisfied in the case of the body to which the recognition order relates (“the recognised body”),
- (b) that the recognised body has failed to comply with any obligation to which it is subject by virtue of Part III of this Order, or
- (c) that the continued recognition of the body is undesirable having regard to the existence of one or more other bodies which have been or are to be recognised.

(2) An order revoking a recognition order shall state the date on which it takes effect and that date shall not be earlier than 3 months after the day on which the revocation order is made.

(3) Before revoking a recognition order the Department shall give written notice of its intention to do so to the recognised body, take such steps as it considers reasonably practicable for bringing the notice to the attention of members of the body and publish it in such manner as it thinks appropriate for bringing it to the attention of any other persons who are in its opinion likely to be affected.

(4) A notice under sub-paragraph (3) shall state the reasons for which the Department proposes to act and give particulars of the rights conferred by sub-paragraph (5).

(5) A body on which a notice is served under sub-paragraph (3), any member of the body and any other person who appears to the Department to be affected may within 3 months after the date of service or publication, or within such longer time as the Department may allow, make written representations to the Department and, if desired, oral representations to a person appointed for that purpose by the Department; and the Department shall have regard to any representations made in accordance with this sub-paragraph in determining whether to revoke the recognition order.

(6) If in any case the Department considers it essential to do so in the public interest it may revoke a recognition order without regard to the restriction imposed by sub-paragraph (2) and notwithstanding that no notice has been given or published under sub-paragraph (3) or that the time for making representations in pursuance of such a notice has not expired.

(7) An order revoking a recognition order may contain such transitional provisions as the Department thinks necessary or expedient.

(8) A recognition order may be revoked at the request or with the consent of the recognised body and any such revocation shall not be subject to the restrictions imposed by sub-paragraphs (1) and (2) or the requirements of sub-paragraphs (3) to (5).

(9) On making an order revoking a recognition order the Department shall give the body written notice of the making of the order, take such steps as it considers reasonably practicable for bringing the making of the order to the attention of members of the body and publish a notice of the making of the order in such manner as it thinks appropriate for bringing it to the attention of any other persons who are in its opinion likely to be affected.

PART II

REQUIREMENTS FOR RECOGNITION

Holding of appropriate qualification

4.—(1) The body must have rules to the effect that a person is not eligible for appointment as a company auditor unless—

- (a) in the case of an individual, he holds an appropriate qualification;
- (b) in the case of a firm—
 - (i) the individuals responsible for company audit work on behalf of the firm hold an appropriate qualification, and
 - (ii) the firm is controlled by qualified persons (see paragraph 5).

(2) This does not prevent the body from imposing more stringent requirements.

(3) A firm which has ceased to comply with the conditions mentioned in sub-paragraph (1)(b) may be permitted to remain eligible for appointment as a company auditor for a period of not more than 3 months.

5.—(1) The following provisions explain what is meant in paragraph 4(1)(b)(ii) by a firm being “controlled by qualified persons”.

(2) For this purpose references to a person being qualified are, in relation to an individual, to his holding an appropriate qualification, and in relation to a firm, to its being eligible for appointment as a company auditor.

(3) A firm shall be treated as controlled by qualified persons if, and only if—

- (a) a majority of the members of the firm are qualified persons, and
- (b) where the firm’s affairs are managed by a board of directors, committee or other management body, a majority of the members of that body are qualified persons or, if the body consists of two persons only, at least one of them is a qualified person.

(4) A majority of the members of a firm means—

- (a) where under the firm’s constitution matters are decided upon by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters;
- (b) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.

(5) A majority of the members of the management body of a firm means—

- (a) where matters are decided at meetings of the management body by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters at such meetings;
- (b) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.

(6) The provisions of paragraphs 5 to 11 of Schedule 10A to the 1986 Order (rights to be taken into account and attribution of rights) apply for the purposes of this paragraph.

Auditors to be fit and proper persons

6.—(1) The body must have adequate rules and practices designed to ensure that the persons eligible under its rules for appointment as a company auditor are fit and proper persons to be so appointed.

(2) The matters which the body may take into account for this purpose in relation to a person must include—

- (a) any matter relating to any person who is or will be employed by or associated with him for the purposes of or in connection with company audit work; and
- (b) in the case of a body corporate, any matter relating to any director or controller of the body, to any other body corporate in the same group or to any director or controller of any such other body; and
- (c) in the case of a partnership, any matter relating to any of the partners, any director or controller of any of the partners, any body corporate in the same group as any of the partners and any director or controller of any such other body.

(3) In sub-paragraph (2)(b) and (c) “controller”, in relation to a body corporate, means a person who either alone or with any associate or associates is entitled to exercise or control the exercise of 15 per cent. or more of the rights to vote on all, or substantially all, matters at general meetings of the body or another body corporate of which it is a subsidiary.

Professional integrity and independence

7.—(1) The body must have adequate rules and practices designed to ensure—

- (a) that company audit work is conducted properly and with integrity, and
- (b) that persons are not appointed company auditor in circumstances in which they have any interest likely to conflict with the proper conduct of the audit.

(2) The body must also have adequate rules and practices designed to ensure that no firm is eligible under its rules for appointment as a company auditor unless the firm has arrangements to prevent—

- (a) individuals who do not hold an appropriate qualification, and
- (b) persons who are not members of the firm,

from being able to exert any influence over the way in which an audit is conducted in circumstances in which that influence would be likely to affect the independence or integrity of the audit.

Technical standards

8. The body must have rules and practices as to the technical standards to be applied in company audit work and as to the manner in which those standards are to be applied in practice.

Procedures for maintaining competence

9. The body must have rules and practices designed to ensure that persons eligible under its rules for appointment as a company auditor continue to maintain an appropriate level of competence in the conduct of company audits.

Status: This is the original version (as it was originally made).

Monitoring and enforcement

10.—(1) The body must have adequate arrangements and resources for the effective monitoring and enforcement of compliance with its rules.

(2) The arrangements for monitoring may make provision for that function to be performed on behalf of the body (and without affecting its responsibility) by any other body or person who is able and willing to perform it.

Membership, eligibility and discipline

11. The rules and practices of the body relating to—

- (a) the admission and expulsion of members,
- (b) the grant and withdrawal of eligibility for appointment as a company auditor, and
- (c) the discipline it exercises over its members,

must be fair and reasonable and include adequate provision for appeals.

Investigation of complaints

12.—(1) The body must have effective arrangements for the investigation of complaints—

- (a) against persons who are eligible under its rules to be appointed company auditor, or
- (b) against the body in respect of matters arising out of its functions as a supervisory body.

(2) The arrangements may make provision for the whole or part of that function to be performed by and to be the responsibility of a body or person independent of the body itself.

Meeting of claims arising out of audit work

13.—(1) The body must have adequate rules or arrangements designed to ensure that persons eligible under its rules for appointment as a company auditor take such steps as may reasonably be expected of them to secure that they are able to meet claims against them arising out of company audit work.

(2) This may be achieved by professional indemnity insurance or other appropriate arrangements.

Register of auditors and other information to be made available

14. The body must have rules requiring persons eligible under its rules for appointment as a company auditor to comply with any obligations imposed on them by regulations under Article 37 or 38.

Taking account of costs of compliance

15. The body must have satisfactory arrangements for taking account, in framing its rules, of the cost to those to whom the rules would apply of complying with those rules and any other controls to which they are subject.

Promotion and maintenance of standards

16. The body must be able and willing to promote and maintain high standards of integrity in the conduct of company audit work and to co-operate, by the sharing of information and otherwise, with

the Department and any other authority, body or person having responsibility in the United Kingdom for the qualification, supervision or regulation of auditors.

SCHEDULE 12

Article 35(4)

RECOGNITION OF PROFESSIONAL QUALIFICATION

PART I

GRANT AND REVOCATION OF RECOGNITION

Application for recognition of professional qualification

1.—(1) A qualifying body may apply to the Department for an order declaring a qualification offered by it to be a recognised professional qualification for the purposes of Part III of this Order.

(2) Any such application—

(a) shall be made in such manner as the Department may direct, and

(b) shall be accompanied by such information as the Department may reasonably require for the purpose of determining the application.

(3) At any time after receiving an application and before determining it the Department may require the applicant to furnish additional information.

(4) The directions and requirements given or imposed under sub-paragraphs (2) and (3) may differ as between different applications.

(5) Any information to be furnished to the Department under this Article shall, if it so requires, be in such form or verified in such manner as it may specify.

In the case of examination standards, the verification required may include independent moderation of the examinations over such period as the Department considers necessary.

(6) Every application shall be accompanied by a copy of the applicant's rules and of any guidance issued by it which is intended to have continuing effect and is issued in writing or other legible form.

2.—(1) The Department may, on an application duly made in accordance with paragraph 1 and after being furnished with all such information as it may require under that paragraph, make or refuse to make an order (a "recognition order") declaring the qualification in respect of which the application was made to be a recognised professional qualification for the purposes of Part III of this Order.

In Part III of this Order a "recognised qualifying body" means a qualifying body offering a recognised professional qualification.

(2) The Department shall not make a recognition order unless it appears to it from the information furnished by the applicant and having regard to any other information in its possession, that the requirements of Part II of this Schedule are satisfied as respects the qualification.

(3) Where the Department refuses an application for a recognition order it shall give the applicant a written notice to that effect specifying which requirements, in its opinion, are not satisfied.

(4) A recognition order shall state the date on which it takes effect.

Status: This is the original version (as it was originally made).

Revocation of recognition

3.—(1) A recognition order may be revoked by a further order made by the Department if at any time it appears to it—

- (a) that any requirement of Part II of this Schedule is not satisfied in relation to the qualification to which the recognition order relates, or
- (b) that the qualifying body has failed to comply with any obligation to which it is subject by virtue of Part III of this Order.

(2) An order revoking a recognition order shall state the date on which it takes effect and that date shall not be earlier than 3 months after the day on which the revocation order is made.

(3) Before revoking a recognition order the Department shall give written notice of its intention to do so to the qualifying body, take such steps as it considers reasonably practicable for bringing the notice to the attention of persons holding the qualification or in the course of studying for it and publish it in such manner as it thinks appropriate for bringing it to the attention of any other persons who are in its opinion likely to be affected.

(4) A notice under sub-paragraph (3) shall state the reasons for which the Department proposes to act and give particulars of the rights conferred by sub-paragraph (5).

(5) A body on which a notice is served under sub-paragraph (3), any person holding the qualification or in the course of studying for it and any other person who appears to the Department to be affected may within 3 months after the date of service or publication, or within such longer time as the Department may allow, make written representations to the Department and, if desired, oral representations to a person appointed for that purpose by the Department; and the Department shall have regard to any representations made in accordance with this sub-paragraph in determining whether to revoke the recognition order.

(6) If in any case the Department considers it essential to do so in the public interest it may revoke a recognition order without regard to the restriction imposed by sub-paragraph (2) and notwithstanding that no notice has been given or published under sub-paragraph (3) or that the time for making representations in pursuance of such a notice has not expired.

(7) An order revoking a recognition order may contain such transitional provisions as the Department thinks necessary or expedient.

(8) A recognition order may be revoked at the request or with the consent of the qualifying body and any such revocation shall not be subject to the restrictions imposed by sub-paragraphs (1) and (2) or the requirements of sub-paragraphs (3) to (5).

(9) On making an order revoking a recognition order the Department shall give the qualifying body written notice of the making of the order, take such steps as it considers reasonably practicable for bringing the making of the order to the attention of persons holding the qualification or in the course of studying for it and publish a notice of the making of the order in such manner as it thinks appropriate for bringing it to the attention of any other persons who are in its opinion likely to be affected.

PART II

REQUIREMENTS FOR RECOGNITION

Entry requirements

4.—(1) The qualification must only be open to persons who have attained university entrance level or have a sufficient period of professional experience.

(2) In relation to a person who has not been admitted to a university or other similar establishment in the United Kingdom, attaining university entrance level means—

(a) being educated to such a standard as would entitle him to be considered for such admission on the basis of—

(i) academic or professional qualifications obtained in the United Kingdom and recognised by the Department to be of an appropriate standard, or

(ii) academic or professional qualifications obtained outside the United Kingdom which the Department considers to be of an equivalent standard; or

(b) being assessed on the basis of written tests of a kind appearing to the Department to be adequate for the purpose, with or without oral examination, as of such a standard of ability as would entitle him to be considered for such admission.

(3) The assessment, tests and oral examination referred to in sub-paragraph (2)(b) may be conducted by the qualifying body or by some other body approved by the Department.

Course of theoretical instruction

5. The qualification must be restricted to persons who have completed a course of theoretical instruction in the subjects prescribed for the purposes of paragraph 7 or have a sufficient period of professional experience.

Sufficient period of professional experience

6.—(1) The references in paragraphs 4 and 5 to a sufficient period of professional experience are to not less than seven years' experience in a professional capacity in the fields of finance, law and accountancy.

(2) Periods of theoretical instruction in the fields of finance, law and accountancy may be deducted from the required period of professional experience, provided the instruction—

(a) lasted at least one year, and

(b) is attested by an examination recognised by the Department for the purposes of this paragraph;

but the period of professional experience may not be so reduced by more than four years.

(3) The period of professional experience together with the practical training required in the case of persons satisfying the requirement in paragraph 5 by virtue of having a sufficient period of professional experience must not be shorter than the course of theoretical instruction referred to in that paragraph and the practical training required in the case of persons satisfying the requirement of that paragraph by virtue of having completed such a course.

Examination

7.—(1) The qualification must be restricted to persons who have passed an examination (at least part of which is in writing) testing—

(a) theoretical knowledge of the subjects prescribed for the purposes of this paragraph by regulations made by the Department, and

(b) ability to apply that knowledge in practice,

and requiring a standard of attainment at least equivalent to that required to obtain a degree from a university or similar establishment in the United Kingdom.

Status: This is the original version (as it was originally made).

(2) The qualification may be awarded to a person without his theoretical knowledge of a subject being tested by examination if he has passed a university or other examination of equivalent standard in that subject or holds a university degree or equivalent qualification in it.

(3) The qualification may be awarded to a person without his ability to apply his theoretical knowledge of a subject in practice being tested by examination if he has received practical training in that subject which is attested by an examination or diploma recognised by the Department for the purposes of this paragraph.

(4) Regulations under this paragraph shall be subject to negative resolution.

Practical training

8.—(1) The qualifications must be restricted to persons who have completed at least three years' practical training of which—

- (a) part was spent being trained in company audit work, and
- (b) a substantial part was spent being trained in company audit work or other audit work of a description approved by the Department as being similar to company audit work.

For this purpose “company audit work” includes the work of a person appointed as auditor under the Companies Act 1985⁽⁵⁾ or under the law of a country or territory outside the United Kingdom where it appears to the Department that the law and practice with respect to the audit of company accounts is similar to that in the United Kingdom.

(2) The training must be given by persons approved by the body offering the qualification as persons as to whom the body is satisfied, in the light of undertakings given by them and the supervision to which they are subject (whether by the body itself or some other body or organisation), that they will provide adequate training.

(3) At least two-thirds of the training must be given by a fully-qualified auditor, that is, a person—

- (a) eligible in accordance with Part III of this Order to be appointed as a company auditor, or
- (b) satisfying the corresponding requirements of the law of Great Britain or another member State of the European Economic Community.

The body offering the qualification

9.—(1) The body offering the qualification must have—

- (a) rules and arrangements adequate to ensure compliance with the requirements of paragraphs 4 to 8, and
- (b) adequate arrangements for the effective monitoring of its continued compliance with those requirements.

(2) The arrangements must include arrangements for monitoring the standard of its examinations and the adequacy of the practical training given by the persons approved by it for that purpose.

(5) 1985 c. 6

SCHEDULE 13

Article 48(6)

SUPPLEMENTARY PROVISIONS WITH RESPECT TO DELEGATION ORDER

Introductory

1. The following provisions have effect in relation to a body established by a delegation order under Article 48; and any power to make provision by order is to make provision by order under that Article.

Status

2. The body shall not be regarded as acting on behalf of the Crown and its members, officers and employees shall not be regarded as Crown servants.

Name, members and chairman

3.—(1) The body shall be known by such name as may be specified in the delegation order.

(2) The body shall consist of such persons (not being less than eight) as the Department may appoint after such consultation as it thinks appropriate; and the chairman of the body shall be such person as the Department may appoint from amongst its members.

(3) The Department may make provision by order as to the terms on which the members of the body are to hold and vacate office and as to the terms on which a person appointed as chairman is to hold and vacate the office of chairman.

Financial provisions

4.—(1) The body shall pay to its chairman and members such remuneration, and such allowances in respect of expenses properly incurred by them in the performance of their duties, as the Department may determine.

(2) As regards any chairman or member in whose case the Department so determines, the body shall pay or make provision for the payment of—

(a) such pension, allowance or gratuity to or in respect of that person on his retirement or death, or

(b) such contributions or other payment towards the provision of such a pension, allowance or gratuity,

as the Department may determine.

(3) Where a person ceases to be a member of the body otherwise than on the expiry of his term of office and it appears to the Department that there are special circumstances which make it right for him to receive compensation, the body shall make a payment to him by way of compensation of such amount as the Department may determine.

Proceedings

5.—(1) The delegation order may contain such provision as the Department considers appropriate with respect to the proceedings of the body.

(2) The order may, in particular—

Status: This is the original version (as it was originally made).

- (a) authorise the body to discharge any functions by means of committees consisting wholly or partly of members of the body;
- (b) provide that the validity of proceedings of the body, or of any such committee, is not affected by any vacancy among the members or any defect in the appointment of any member.

Fees

6.—(1) The body may retain fees payable to it.

(2) The fees shall be applied for meeting the expenses of the body in discharging its functions and for any purposes incidental to those functions.

(3) Those expenses include any expenses incurred by the body on such staff, accommodation, services and other facilities as appear to it to be necessary or expedient for the proper performance of its functions.

(4) In prescribing the amount of fees in the exercise of the functions transferred to it the body shall prescribe such fees as appear to it sufficient to defray those expenses, taking one year with another.

(5) Any exercise by the body of the power to prescribe fees requires the approval of the Department; and the Department may, after consultation with the body, by order vary or revoke any regulations made by the body prescribing fees.

Legislative functions

7.—(1) Regulations made by the body in the exercise of the functions transferred to it shall be made by instrument in writing.

(2) The instrument shall specify the provision of Part III of this Order under which it is made.

(3) The Department may by order impose such requirements as it thinks necessary or expedient as to the circumstances and manner in which the body must consult on any regulations it proposes to make.

8.—(1) Immediately after an instrument is made it shall be printed and made available to the public with or without payment.

(2) A person shall not be taken to have contravened any regulation if he shows that at the time of the alleged contravention the instrument containing the regulation had not been made available as required by this paragraph.

9.—(1) The production of a printed copy of an instrument purporting to be made by the body on which is endorsed a certificate signed by an officer of the body authorised by it for the purpose and stating—

- (a) that the instrument was made by the body,
- (b) that the copy is a true copy of the instrument, and
- (c) that on a specified date the instrument was made available to the public as required by paragraph 8,

is prima facie evidence of the facts stated in the certificate.

(2) A certificate purporting to be signed as mentioned in sub-paragraph (1) shall be deemed to have been duly signed unless the contrary is shown.

(3) Any person wishing in any legal proceedings to cite an instrument made by the body may require the body to cause a copy of it to be endorsed with such a certificate as is mentioned in this paragraph.

Report and accounts

10.—(1) The body shall at least once in each year for which the delegation order is in force make a report to the Department on the discharge of the functions transferred to it and on such other matters as the Department may by order require.

(2) The Department shall lay before the Assembly copies of each report received by it under this paragraph.

(3) The Department may, with the consent of the Department of Finance and Personnel, give directions to the body with respect to its accounts and the audit of its accounts and it is the duty of the body to comply with the directions.

(4) A person shall not be appointed auditor of the body unless he is eligible for appointment as a company auditor under Article 28.

Other supplementary provisions

11.—(1) The transfer of a function to a body established by a delegation order does not affect anything previously done in the exercise of the function transferred; and the resumption of a function so transferred does not affect anything previously done in exercise of the function resumed.

(2) The Department may by order make such transitional and other supplementary provision as it thinks necessary or expedient in relation to the transfer or resumption of a function.

(3) The provision that may be made in connection with the transfer of a function includes, in particular, provision—

- (a) for modifying or excluding any provision of Part III of this Order in its application to the function transferred;
- (b) for applying to the body established by the delegation order, in connection with the function transferred, any provision applying to the Department which is contained in or made under any other statutory provision;
- (c) for the transfer of any property, rights or liabilities from the Department to that body;
- (d) for the carrying on and completion by that body of anything in process of being done by the Department when the order takes effect;
- (e) for the substitution of that body for the Department in any instrument, contract or legal proceedings.

(4) The provision that may be made in connection with the resumption of a function includes, in particular, provision—

- (a) for the transfer of any property, rights or liabilities from that body to the Department;
- (b) for the carrying on and completion by the Department of anything in process of being done by that body when the order takes effect;
- (c) for the substitution of the Department for that body in any instrument, contract or legal proceedings.

12. Where a delegation order is revoked, the Department may by order make provision—

- (a) for the payment of compensation to persons ceasing to be employed by the body established by the delegation order; and

(b) as to the winding up and dissolution of the body.

SCHEDULE 14

Article 49(1)

SUPERVISORY AND QUALIFYING BODIES: RESTRICTIVE PRACTICES

PART I

PREVENTION OF RESTRICTIVE PRACTICES

Refusal of recognition on grounds related to competition

1.—(1) The Department shall before deciding whether to make a recognition order in respect of a supervisory body or professional qualification send to the Director General of Fair Trading (in this Schedule referred to as “the Director”) a copy of the rules and of any guidance which the Department is required to consider in making that decision together with such other information as the Department considers will assist the Director.

(2) The Director shall consider whether the rules or guidance have, or are intended or likely to have, to any significant extent the effect of restricting, distorting or preventing competition, and shall report to the Department; and the Department shall have regard to his report in deciding whether to make a recognition order.

(3) The Department shall not make a recognition order if it appears to it that the rules and any guidance of which copies are furnished with the application have, or are intended or likely to have, to any significant extent the effect of restricting, distorting or preventing competition, unless it appears to it that the effect is reasonably justifiable having regard to the purposes of Part III of this Order.

Notification of changes to rules or guidance

2.—(1) Where a recognised supervisory or qualifying body amends, revokes or adds to its rules or guidance in a manner which may reasonably be regarded as likely—

- (a) to restrict, distort or prevent competition to any significant extent, or
- (b) otherwise to affect the question whether the recognition order granted to the body should continue in force,

it shall within 7 days give the Department written notice of the amendment, revocation or addition.

(2) Notice need not be given under sub-paragraph (1) of the revocation of guidance not intended to have continuing effect or issued otherwise than in writing or other legible form, or of any amendment or addition to guidance which does not result in or consist of guidance which is intended to have continuing effect and is issued in writing or other legible form.

Continuing scrutiny by the Director General of Fair Trading

3.—(1) The Director shall keep under review the rules made or guidance issued by a recognised supervisory or qualifying body, and if he is of the opinion that any rules or guidance of such a body have, or are intended or likely to have, to any significant extent the effect of restricting, distorting or preventing competition, he shall report his opinion to the Department, stating what in his opinion the effect is or is likely to be.

(2) The Department shall send to the Director copies of any notice received by it under paragraph 2, together with such other information as it considers will assist the Director.

(3) The Director may report to the Department his opinion that any matter mentioned in such a notice does not have, and is not intended or likely to have, to any significant extent the effect of restricting, distorting or preventing competition.

(4) The Director may from time to time consider whether—

- (a) any practices of a recognised supervisory or qualifying body in its capacity as such, or
- (b) any relevant practices required or contemplated by the rules or guidance of such a body or otherwise attributable to its conduct in its capacity as such,

have, or are intended or likely to have, to any significant extent the effect of restricting, distorting or preventing competition and, if so, what that effect is or is likely to be; and if he is of that opinion he shall make a report to the Department stating his opinion and what the effect is or is likely to be.

(5) The practices relevant for the purposes of sub-paragraph (4)(b) in the case of a recognised supervisory body are practices engaged in for the purposes of, or in connection with, appointment as a company auditor or the conduct of company audit work by persons who—

- (a) are eligible under its rules for appointment as a company auditor, or
- (b) hold an appropriate qualification and are directors or other officers of bodies corporate which are so eligible or partners in, or employees of, partnerships which are so eligible.

(6) The practices relevant for the purposes of sub-paragraph (4)(b) in the case of a recognised qualifying body are—

- (a) practices engaged in by persons in the course of seeking to obtain a recognised professional qualification from that body, and
- (b) practices engaged in by persons approved by the body for the purposes of giving practical training to persons seeking such a qualification and which relate to such training.

Investigatory powers of the Director

4.—(1) The following powers are exercisable by the Director for the purpose of investigating any matter in connection with his functions under paragraph 1 or 3.

(2) The Director may by a notice in writing require any person to produce, at a time and place specified in the notice, to the Director or to any person appointed by him for the purpose, any documents which are specified or described in the notice and which are documents in his custody or under his control and relating to any matter relevant to the investigation.

(3) The Director may by a notice in writing require any person to furnish to the Director such information as may be specified or described in the notice, and specify the time within which and the manner and form in which any such information is to be furnished.

(4) A person shall not under this paragraph be required to produce any document or disclose any information which he would be entitled to refuse to produce or disclose on grounds of legal professional privilege in proceedings in the High Court.

(5) Subsections (6) to (8) of section 85 of the Fair Trading Act 1973(6) (enforcement provisions) apply in relation to a notice under this paragraph as they apply in relation to a notice under subsection (1) of that section but as if, in subsection (7) of that section, for the words from “any one” to “the Commission” there were substituted “the Director”.

(6) 1973 c. 41

Status: This is the original version (as it was originally made).

Publication of Director's reports

5.—(1) The Director may, if he thinks fit, publish any report made by him under paragraph 1 or 3.

(2) He shall exclude from a published report, so far as practicable, any matter which relates to the affairs of a particular person (other than the supervisory or qualifying body concerned) the publication of which would or might in his opinion seriously and prejudicially affect the interests of that person.

Powers exercisable by the Department in consequence of report

6.—(1) The powers conferred by this paragraph are exercisable by the Department if, having received and considered a report from the Director under paragraph 3(1) or (4), it appears to the Department that—

- (a) any rules made or guidance issued by a recognised supervisory or qualifying body, or
- (b) any such practices as are mentioned in paragraph 3(4),

have, or are intended or likely to have, to any significant extent the effect of restricting, distorting or preventing competition and that that effect is greater than is reasonably justifiable having regard to the purposes of Part III of this Order.

(2) The powers are—

- (a) to revoke the recognition order granted to the body concerned,
- (b) to direct it to take specified steps for the purpose of securing that the rules, guidance or practices in question do not have the effect mentioned in sub-paragraph (1), and
- (c) to make alterations in the rules of the body for that purpose.

(3) The provisions of paragraph 3(2) to (5), (7) and (9) of Schedule 11 or, as the case may be, Schedule 12 have effect in relation to the revocation of a recognition order under sub-paragraph 2(a) as they have effect in relation to the revocation of such an order under that Schedule.

(4) Before the Department exercises the power conferred by sub-paragraph (2)(b) or (c) it shall—

- (a) give written notice of its intention to do so to the body concerned and take such steps (whether by publication or otherwise) as it thinks appropriate for bringing the notice to the attention of any other person who in its opinion is likely to be affected by the exercise of the power, and
- (b) have regard to any representation made within such time as it considers reasonable by the body or any such other person.

(5) A notice under sub-paragraph (4) shall give particulars of the manner in which the Department proposes to exercise the power in question and state the reasons for which it proposes to act; and the statement of reasons may include matters contained in any report received by it under paragraph 3.

Supplementary provisions

7.—(1) A direction under paragraph 6 is, on the application of the Department, enforceable by injunction.

(2) The fact that any rules made by a recognised supervisory or qualifying body have been altered by the Department, or pursuant to a direction of the Department, under paragraph 6 does not preclude their subsequent alteration or revocation by that body.

(3) In determining for the purposes of this Schedule whether any guidance has or is likely to have, any particular effect the Department and the Director may assume that the persons to whom it is addressed will act in conformity with it.

PART II

CONSEQUENTIAL EXEMPTIONS FROM COMPETITION LAW

Fair Trading Act 1973 (c. 41)

8.—(1) For the purpose of determining whether a monopoly situation within the meaning of the Fair Trading Act 1973 exists by reason of the circumstances mentioned in section 7(1)(c) of that Act (supply of services by or for group of two or more persons), no account shall be taken of—

- (a) the rules of or guidance issued by a recognised supervisory or qualifying body, or
- (b) conduct constituting such a practice as is mentioned in paragraph 3(4).

(2) Where a recognition order is revoked there shall be disregarded for the purpose mentioned in sub-paragraph (1) any such conduct as is mentioned in that sub-paragraph which occurred while the order was in force.

(3) Where on a monopoly reference under section 50 or 51 of the Fair Trading Act 1973 falling within section 49 of that Act (monopoly reference not limited to the facts) the Monopolies and Mergers Commission find that a monopoly situation within the meaning of that Act exists and—

- (a) that the person (or, if more than one, any of the persons) in whose favour it exists is—
 - (i) a recognised supervisory or qualifying body, or
 - (ii) a person of a description mentioned in paragraph 3(5) or (6), or
- (b) that any such person's conduct in doing anything to which the rules of such a body relate is subject to guidance issued by the body,

the Commission in making their report on that reference shall exclude from their consideration the question whether the rules or guidance of the body concerned, or the acts or omissions of that body in its capacity as such, operate or may be expected to operate against the public interest.

Restrictive Trade Practices Act 1976 (c. 34)

9.—(1) The Restrictive Trade Practices Act 1976 does not apply to an agreement for the constitution of a recognised supervisory or qualifying body in so far as it relates to rules of or guidance issued by the body, and incidental matters connected therewith, including any term deemed to be contained in it by virtue of section 8(2) or 16(3) of that Act.

(2) Nor does that Act apply to an agreement the parties to which consist of or include—

- (a) a recognised supervisory or qualifying body, or
- (b) any such person as is mentioned in paragraph 3(5) or (6),

by reason that it includes any terms the inclusion of which is required or contemplated by the rules or guidance of that body.

(3) Where an agreement ceases by virtue of this paragraph to be subject to registration—

- (a) the Director shall remove from the register maintained by him under the Act of 1976 any particulars which are entered or filed in that register in respect of the agreement, and
- (b) any proceedings in respect of the agreement which are pending before the Restrictive Practices Court shall be discontinued.

(4) Where a recognition order is revoked, sub-paragraphs (1) and (2) shall continue to apply for a period of 6 months beginning with the day on which the revocation takes effect, as if the order were still in force.

Status: This is the original version (as it was originally made).

(5) Where an agreement which has been exempt from registration by virtue of this paragraph ceases to be exempt in consequence of the revocation of a recognition order, the time within which particulars of the agreement are to be furnished in accordance with section 24 of and Schedule 2 to the Act of 1976 shall be the period of one month beginning with the day on which the agreement ceased to be exempt from registration.

(6) Where in the case of an agreement registered under the 1976 Act a term ceases to fall within sub-paragraph (2) in consequence of the revocation of a recognition order and particulars of that term have not previously been furnished to the Director under section 24 of that Act, those particulars shall be furnished to him within the period of one month beginning with the day on which the term ceased to fall within that sub-paragraph.

Competition Act 1980 (c. 21)

10.—(1) No course of conduct constituting any such practice as is mentioned in paragraph 3(4) shall constitute an anti-competitive practice for the purposes of the Competition Act 1980.

(2) Where a recognition order is revoked there shall not be treated as an anti-competitive practice for the purposes of that Act any such course of conduct as is mentioned in sub-paragraph (1) which occurred while the order was in force.

SCHEDULE 15

Articles 26 and 57.

REPEALS

PART I

REPEALS CONSEQUENTIAL ON PART II OF THIS ORDER

Chapter or Number	Short Title	Extent of Repeal
1986 NI 6.	The Companies (Northern Ireland) Order 1986.	In Article 1(2) the words “Except as provided by Article 251(6),”. In Article 2(3) the definition of “authorised institution”. Article 428(2) (b). In Schedule 2— (a) in paragraph 1(1), the words “paragraph 60(2) of Schedule 4, or paragraph 19(3) of Schedule 9”; (b) paragraph 1(5); (c) in paragraph 2(1), the word “33,”; (d) paragraph 2(2); (e) in paragraph 3(1), the words “paragraph 60(2) of Schedule 4 or paragraph 19(3) of Schedule 9”; (f) paragraph 3(3); (g) in paragraph 4(1), the words “(whether as personal representative or otherwise)”; (h) in paragraph 4(2), the

Chapter or Number	Short Title	Extent of Repeal
		words “paragraph 60(2) of Schedule 4 or paragraph 19(3) of Schedule 9”.In Schedule 4, paragraphs 50(6), 60 to 70, 74, 75, 77 to 80, 86, 89 to 91 and 93.In Schedule 6, paragraph 4.In Schedule 6, Part III.In Schedule 9— (a) paragraphs 1, 13(3) and (18), 18(5), 19(3) to (8) and 21 to 26; (b) in paragraph 27(4), the words “of Part I”; (c) in paragraph 28, in sub-paragraph (1) the words “to which Part II of the Insurance Companies Act 1982 applies” and in sub-paragraph (3) the words “of Part I”; (d) paragraphs 29 to 31.In Schedule 11— (a) paragraph 4(b) and (c); (b) paragraph 5(b).In Schedule 23 the entries relating to Articles 253(1), 253(2), 263(5) and 268(3).
1987 c. 22.	The Banking Act 1987.	Section 90(2).In Schedule 6— (a) paragraph 28(1) to (7); (b) in paragraph 28(8) the words “and (1A)”; (c) paragraph 28(9), except in so far as it amends paragraphs 14(a) and 17(a) of Schedule 6 to the 1986 Order.
1987 NI 9.	The Industrial Relations (Northern Ireland) Order 1987.	Article 3(1).
1989 NI 19.	The Insolvency (Northern Ireland) Order 1989.	In Schedule 9, paragraphs 12 and 13.

PART II

REPEALS CONSEQUENTIAL ON PART III OF THIS ORDER

Chapter or Number	Short Title	Extent of Repeal
1986 NI 6.	The Companies (Northern Ireland) Order 1986.	Article 397.In Schedule 21 in the entry relating to Articles 392 to 401 in column 2 the word “qualifications”.In Schedule 22 the entry relating to Article 397(9).

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